

**COPY**

**-Application**

**Lakeway**

**Regional**

**Hospital**

**CN1405-013**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**LAKEWAY REGIONAL HOSPITAL**

**Discontinuance of Inpatient Obstetrical Services**

**Hamblen County, Tennessee**

**May 14, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**SECTION A:**

**APPLICANT PROFILE**

1. **Name of Facility, Agency, or Institution**

Lakeway Regional Hospital  
**Name**

726 McFarland Street  
**Street or Route**

Morristown  
**City**

TN  
**State**

Hamblen  
**County**  
37814  
**Zip Code**

2. **Contact Person Available for Responses to Questions**

Jerry W. Taylor  
**Name**

Stites & Harbison, PLLC  
**Company Name**

401 Commerce Street, Suite 800  
**Street or Route**

Attorney  
**Association with Owner**

Attorney  
**Title**

jerry.taylor@stites.com  
**Email address**

Nashville TN 37219  
**City State Zip Code**

615-782-2228 615-742-0302  
**Phone Number Fax Number**

3. **Owner of the Facility, Agency or Institution**

Hospital of Morristown, Inc.  
**Name**

726 McFarland Street  
**Street or Route**

Morristown  
**City**

TN  
**State**

(423) 522-6004  
**Phone Number**  
Hamblen  
**County**  
37814  
**Zip Code**

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

X

F. Government (State of TN or

G. Political Subdivision)

H. Joint Venture

I. Limited Liability Company

Other (Specify) \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.

5. Name of Management/Operating Entity (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

- |                         |   |                          |
|-------------------------|---|--------------------------|
| A. Ownership            | X | D. Option to Lease       |
| B. Option to Purchase   |   | E. Other (Specify) _____ |
| C. Lease of _____ Years |   |                          |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of the deed to the hospital property is attached as Attachment A, 6.

7. Type of Institution (Check as appropriate—more than one response may apply)

- |  |   |   |
|--|---|---|
| A. Hospital (Specify) <u>General</u>                                     | X | I. Nursing Home                                 |
| B. Ambulatory Surgical<br>Treatment Center (ASTC),<br>Multi-Specialty    |   | J. Outpatient Diagnostic Center                 |
| C. ASTC, Single Specialty  |   | K. Recuperation Center                          |
| D. Home Health Agency  |   | L. Rehabilitation Facility                      |
| E. Hospice   |   | M. Residential Hospice                          |
| F. Mental Health Hospital  |   | N. Non-Residential Methadone<br>Facility        |
| G. Mental Health Residential<br>Treatment Facility                       |   | O. Birthing Center                              |
| H. Mental Retardation<br>Institutional Habilitation<br>Facility (ICF/MR) |   | P. Other Outpatient Facility<br>(Specify) _____ |
|  |   | Q. Other (Specify) _____                        |



**8. Purpose of Review (Check) as appropriate--more than one response may apply)**

- |                                   |   |   |
|-----------------------------------|---|---|
| A. New Institution                |   | G. Change in Bed Complement               |
| B. Replacement/Existing Facility  |   | <i>[Please note the type of change by</i> |
| C. Modification/Existing Facility |   | <i>underlining the appropriate</i>        |
| D. Initiation of Health Care      |   | <i>response: Increase, Decrease,</i>      |
| Service as defined in TCA §       |   | <i>Designation, Distribution,</i>         |
| 68-11-1607(4)                     |   | <i>Conversion, Relocation]</i>            |
| (Specify) _____                   |   | H. Change of Location                     |
| E. Discontinuance of OB Services  | X | I. Other (Specify) _____                  |
| F. Acquisition of Equipment       |   | _____                                     |

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9. **Bed Complement Data**

*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical/surgical	<u>70</u>	<u>      </u>	<u>55</u>	<u>16</u>	<u>86</u>
B. Surgical ( <u>included in medical</u> )	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
C. Long-Term Care Hospital	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
D. Obstetrical	<u>16</u>	<u>      </u>	<u>5</u>	<u>-16</u>	<u>0</u>
E. ICU/CCU	<u>7</u>	<u>      </u>	<u>7</u>	<u>      </u>	<u>7</u>
F. Neonatal	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
G. Pediatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
H. Adult Psychiatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
I. Geriatric Psychiatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
J. Child/Adolescent Psychiatric	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
K. Rehabilitation	<u>27</u>	<u>      </u>	<u>10</u>	<u>      </u>	<u>27</u>
L. Nursing Facility (non-Medicaid Certified)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
M. Nursing Facility Level 1 (Medicaid only)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
N. Nursing Facility Level 2 (Medicare only)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
P. ICF/MR	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Q. Adult Chemical Dependency	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
R. Child and Adolescent Chemical Dependency	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
S. Swing Beds	<u>15</u>	<u>      </u>	<u>5</u>	<u>      </u>	<u>15</u>
T. Mental Health Residential Treatment	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
U. Residential Hospice	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>TOTAL</b>	<b><u>135</u></b>	<b><u>      </u></b>	<b><u>82</u></b>	<b><u>      </u></b>	<b><u>135</u></b>

10. **Medicare Provider Number:** 440067  
**Certification Type:** Hospital

11. **Medicaid Provider Number:** 0440067  
**Certification Type:** Hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

Lakeway Regional Hospital is certified for both Medicaid/TennCare and Medicare.

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

Bluecare

TennCare Select

UnitedHealthcare Community Plans

**Will this project involve the treatment of TennCare participants?**

Lakeway Regional will continue to treat TennCare patients, but since this is a request to discontinue OB services, if it is approved Lakeway Regional will no longer treat TennCare patients for OB services.

**If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

Lakeway Regional has provider agreements with Bluecare and with TennCare Select.

**Discuss any out-of-network relationships in place with MCOs/BHOs in the area.**

N/A.

**NOTE:** *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing. I will complete this section as the last step. This is a lot of copy & paste, so I don't do this until I have final version of all of the narrative.

### **Project Description**

The applicant seeks authorization to discontinue its inpatient OB and maternity service at Lakeway Regional Hospital. The 16 obstetrical beds (6 LDRP and 10 Post-Partum) will be re-distributed to the general medical/surgical bed complement. The number of licensed beds at Lakeway Regional will not change as a result of this project. The applicant has not determined what the space the OB program would vacate will be used for in the future. There is no construction or renovation involved in this project.

### **Services & Equipment**

The applicant seeks authorization to discontinue its inpatient OB and maternity service at Lakeway Regional Hospital. The 16 obstetrical beds (6 LDRP and 10 Post-Partum) will be re-distributed to the general medical/surgical bed complement. No equipment will be acquired.

### **Ownership Structure**

Lakeway Regional Hospital is owned by Hospital of Morristown, Inc. The ultimate parent company is Community Health Systems, Inc.

### **Service Area**

Lakeway Regional's O.B. service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of OB admissions in 2013.

### **Need**

The need to discontinue the inpatient OB service at Lakeway Regional is driven by the following circumstances: (1) the four medical staff providers with active staff membership and who provide medical coverage for the newborn nursery are converting to consulting staff only effective May 1, 2014, which makes it very difficult if not impossible to have adequate physician

coverage in the newborn nursery; (2) the loss of at least four nurses who were covering the obstetrics unit and nursery, as a result of the changing medical staff status of the pediatricians; (3) there are only 2 obstetricians with active privileges delivering babies at Lakeway Regional. Even with both of these obstetricians meeting their required call responsibilities, there is no unassigned OB call coverage at Lakeway Regional 20 out of 30 days each month; (4) a decline in OB volume; and (5) the economic and operational inefficiencies of keeping the service functioning at a safe level in light of the previously mentioned circumstances.

#### Existing Resources

Lakeway Regional's O.B. service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of OB admissions in 2013.

Grainger, Hawkins and Jefferson counties do not have inpatient OB services locally available. There is an inpatient OB program at Tennova Healthcare Newport (f/k/a Baptist Hospital Newport), located in Cocke County and at Morristown-Hamblen Healthcare System, located in Hamblen County. Morristown-Hamblen Hospital (MHH) is located approximately 0.2 miles from Lakeway Regional. The drive time from Lakeway Regional to MHH is approximately 2 minutes.

#### Project Cost & Funding

The total estimated project cost is \$33,000. There are no capital costs involved in this project. The only costs involved are legal, administrative and consultant fees, and the CON filing fee. The applicant has not made a final determination as to the future use of the space currently used for the OB unit. There are no renovation costs involved in this project.

#### Financial Feasibility

The operation of the hospital without OB services is economically feasible. The Projected Data Chart, which assumes no OB services, reflects an operating loss, but only because it includes both depreciation and amortization (consolidated under "depreciation" in Line D, 5) as an above the line expense. In reality, the hospital has and will have a positive cash flow. As demonstrated on the Historical Data Chart, the OB program produces negative net operating income. Although economic considerations are not the driver of the request to discontinue the OB service, it is not currently a cost effective program.

#### Staffing

At full staff, the OB unit had 17 FTE nursing and surgical tech positions. The approval of this proposal may result in the net loss of few positions. Lakeway Regional has offered retention bonuses in the amount of \$2500 to the OB nursing staff. Some have accepted and will stay. Some of the nursing staff has already left Lakeway Regional to pursue other opportunities. If the application is approved and the OB service is discontinued, the nurses who stay will have the option of transferring to open positions within the hospital, or they can transfer to open positions within affiliated CHS hospitals.

**II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

**If the project involves none of the above, describe the development of the proposal.**

Lakeway Regional seeks authorization to discontinue its inpatient OB service. This project involves no construction or renovation. Plans as to how the space will be utilized has not been finally determined.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Lakeway Regional seeks authorization to discontinue its inpatient OB service. The hospital has 6 Labor, Delivery, Recovery and Post-Partum ("LDRP") beds and 10 Post-Partum beds. The beds will be re-distributed to the medical surgical bed complement.



**C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

The need to discontinue the inpatient OB service at Lakeway Regional is driven by the following circumstances: (1) the four medical staff providers with active staff membership and who provide medical coverage for the newborn nursery are converting to consulting staff only effective May 1, 2014, which makes it very difficult if not impossible to have adequate physician coverage in the newborn nursery; (2) the loss of at least four nurses who were covering the obstetrics unit and nursery, as a result of the changing medical staff status of the pediatricians; (3) there are only 2 obstetricians with active privileges delivering babies at Lakeway Regional. Even with both of these obstetricians meeting their required call responsibilities, there is no unassigned OB call coverage at Lakeway Regional 20 out of 30 days each month; (4) a decline in OB volume; and (5) the economic and operational inefficiencies of keeping the service functioning at a safe level in light of the previously mentioned circumstances.

- 1. Adult Psychiatric Services**
- 2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
- 3. Birthing Center**
- 4. Burn Units**
- 5. Cardiac Catheterization Services**
- 6. Child and Adolescent Psychiatric Services**
- 7. Extracorporeal Lithotripsy**
- 8. Home Health Services**
- 9. Hospice Services**
- 10. Residential Hospice**
- 11. ICF/MR Services**
- 12. Long-term Care Services**
- 13. Magnetic Resonance Imaging (MRI)**
- 14. Mental Health Residential Treatment**
- 15. Neonatal Intensive Care Unit**
- 16. Non-Residential Methadone Treatment Centers**
- 17. Open Heart Surgery**
- 18. Positron Emission Tomography**
- 19. Radiation Therapy/Linear Accelerator**
- 20. Rehabilitation Services**
- 21. Swing Beds**

**D. Describe the need to change location or replace an existing facility.**

N/A.

**E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following: N/A.**

- 1. For fixed-site major medical equipment (not replacing existing equipment):**



- a. Describe the new equipment, including:
  1. Total cost ;(As defined by Agency Rule).
  2. Expected useful life;
  3. List of clinical applications to be provided; and
  4. Documentation of FDA approval.

- b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

*Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.*

A plot plan for Lakeway Regional Hospital is attached as Attachment B, III, (A).

(B)

1. **Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

Lakeway Regional is located in the heart of Morristown. It is approximately 10 miles from Interstate 81, with connections by major thoroughfares and highways. The hospital is in an area of Morristown that includes several physician offices, clinics and outpatient health care providers. It is not located on a public transportation route, but is easily accessible to patients.

- IV. **Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

**NOTE: DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

A floor plan drawing of the existing OB unit is attached as Attachment B, IV.

- V. **For a Home Health Agency or Hospice, identify:**

N/A.

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

## **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

### **QUESTIONS**

#### **I. NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
  - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

#### **Five Principles for Achieving Better Health from the Tennessee State Health Plan:**

1. **Healthy Lives:** The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This is policy statement to which no response is necessary.

**2. Access to Care: Every citizen should have reasonable access to health care.**

**Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.**

The current State Health Plan does not include updated CON standards for the discontinuance of OB services. This proposal meets the standards for such authorization set forth in the Guidelines for Growth. These guidelines are discussed below.

**3. Economic Efficiencies: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

The economic inefficiencies of the OB program is not the driver for this request, although the continue operation of the service under current conditions is clearly not economically feasible. There is an inpatient OB program at Morristown-Hamblin Health System ("MHHS"), which is located approximately 0.2 miles from Lakeway Regional. If approved, this proposal will almost certainly result in increased inpatient OB utilization at MHHS. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

**4. Quality of Care: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

Since there is an alternative local provider of inpatient OB services located approximately 0.2 miles from Lakeside, the approval of this proposal will not have any adverse effect on the quality of care available, and little practical impact on accessibility to OB services.

**5. Health Care Workforce: The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of**

**medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

At full staff, the OB unit had 17 FTE nursing and surgical tech positions. The approval of this proposal may result in the net loss of few positions. Lakeway Regional has offered retention bonuses in the amount of \$2500 to the OB nursing staff. Some have accepted and will stay. Some of the nursing staff has already left Lakeway Regional to pursue other opportunities. If the application is approved and the OB service is discontinued, the nurses who stay will have the option of transferring to open positions within the hospital, or they can transfer to open positions within affiliated CHS hospitals.

**Discontinuance of Obstetrical Services (Guidelines for Growth)**

**A. Need**

**1. A specific service area should be identified and all existing providers of obstetrical services in that service area should be identified.**

Lakeway Regional's O.B. service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these five counties accounted for approximately 87.4% of OB admissions in 2013.

Grainger, Hawkins and Jefferson counties do not have inpatient OB services locally available. There is an inpatient OB program at Tennova Healthcare Newport (f/k/a Baptist Hospital Newport), located in Cocke County and at Morristown-Hamblen Healthcare System, located in Hamblen County.

**2. The female population aged 15-44 in the service area should be identified. The current year's population and the population four years hence should be used.**

<u>Population Group</u>	<u>2014</u>	<u>2018</u>
Hamblen Co. Female 15-44	11,732	12,182
Cocke County Female 15-44	13,178	14,444
Grainger Co. Female 15-44	4,076	4,249
Hawkins Co. Female 15-44	9,478	8,628
Jefferson Co. Female 15-44	9,939	8,296
Service Area Female 15-44 Total	48,403	47,799

Source: Department of Health Population Projects found at <http://health.state.tn.us/statistics/CertNeed.shtml>

There is a projected 1.25% decline in the female aged 15-44 population of the service area between 2014 and 2018.

**3. The number of obstetrical patients served by the facility over the past three years should be listed.**

OB Deliveries at Lakeway Regional:

<u>Year</u>	<u>Deliveries</u>	<u>Annual Decline</u>	<u>2 Year Decline</u>
2013:	246	(-17.4%)	(-24.8%)
2012:	298	(-8.9%)	
2011:	327		

Source: 2013: internal hospital records; 2011 & 2012: Joint Annual Reports

**4. The estimated number of obstetrical patients affected by the discontinuance of obstetrical services should be listed. The estimated number of obstetrical patients below the federally established poverty level and affected by the discontinuance of the service should be listed separately.**

Assuming the decline in deliveries would continue next year at the same rate as 2012-2013, the number of affected OB patients would be 203 patients ( $246 \times 17.4\% = 43$ ;  $246 - 43 = 203$ ).

If Lakeway Regional were to continue the OB program under the current circumstances, the actual rate of decline in deliveries would almost certainly be more accelerated as public awareness of the staffing issues increases. So the actual number of affected OB patients is likely less than 203, and that number would continue to fall for each year of continued operation.

But to say even 203 patients are “affected” by the closure should not be taken to mean those patients will be adversely affected. With an alternative OB service provider just 0.2 miles from Lakeway Regional, the closure of the Lakeway Regional OB program would not cause a significant hardship on any patient.

**B. Accessibility**

**1. Indicate the distance in miles and approximate travel time that patients in need of obstetrical services would have to travel, should the service be discontinued at the designated site.**

The closest provider of obstetrical services is Morristown-Hamblen Hospital (MHH), which is located approximately 0.2 miles from Lakeway Regional. The drive time

from Lakeway Regional to MHH is approximately 2 minutes. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

**2. Indicate the modes of transportation which will be used by obstetrical patients to travel to alternate sites, should the service be discontinued at the designated site.**

Most obstetrical patients arrive at the hospital by private automobile, although some arrive by ambulance. It is anticipated the same transportation modes would be utilized by patients seeking OB services at MHHS or other providers.

**3. Indicate the facilities that will provide obstetrical services in the service area, should the service be discontinued at the designated site.**

Morristown-Hamblen Healthcare System provides inpatient OB services. MHHS is located 0.2 miles from Lakeway Regional. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

**4. The charges for obstetrical services at alternate service delivery sites should be compared to those of the facility seeking to discontinue the service.**

The average net charge per patient day for inpatient OB services was \$7,600.00 in 2013.

The charges for OB services at Tennova Healthcare Newport and at MHHS are not available to the applicant.

**5. The applicant should document that TennCare and/or Medicare patients can receive obstetrical services at the alternate service delivery sites.**

According to MHHS's most recently filed Joint Annual Report (2012), it participates in both the TennCare and Medicare programs.

**[END OF RESPONSES TO STATE HEALTH PLAN & GUIDELINES FOR GROWTH]**

**b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)**

N/A.

**2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

Lakeway Regional does not have any long term plans which would be impacted by the discontinuance of the OB service.

- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"**

The affected service area consists of Hamblen, Cocke, Grainger, Hawkins and Jefferson counties. Residents of these four counties accounted for approximately 87.4% of OB admissions in 2013.

A map of the service area is attached as Attachment C, I, Need, 3.

- 4. A. Describe the demographics of the population to be served by this proposal.**

A table reflecting relevant demographics of the service area is attached as Attachment C, I, Need, 4.

**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

Since this proposal calls for the discontinuance of OB services at Lakeway Regional, the relevant population is that of females of child bearing age. Notable demographic characteristics of the population of the service area include the following:

The F 15-44 population of the service area is projected to decline 2014-2018 by 1.2% (48,403 in 2014 declining to 47,799 in 2018). The same population group is projected to increase in the state-wide population by 2% during the same time period (1,301,018 in 2014 increasing to 1,326,526 in 2018). The total population of the service area is projected to grow at a slower pace 2014-2018 (3.3%) than that of the state as a whole (3.7%).

The need of the F 15-44 population of the service area for local OB services will continue to be met if this application is approved. Currently, the only counties in the service area in which OB services are available are Cocke County and Hamblen County. If this application is approved, that will continue to be the case. Inpatient OB services will be available at MHHS, which is located 0.2 miles from Lakeway Regional, as well as at Tennova Healthcare Newport (f/k/a Baptist Hospital Newport), in Cocke County.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of**



**data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

The only counties in the service area in which Inpatient OB services are available are Cocke County and Hamblen County. There are two OB providers in Hamblen County, Lakeway Regional and MHHS. If this application is approved, inpatient OB services will still be available in Hamblen County -- at MHHS, which is located 0.2 miles from Lakeway Regional. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

The OB utilization for each OB provider in the service area is reflected below.

OB Deliveries at Lakeway Regional (Hamblen County):

<u>Year</u>	<u>Deliveries</u>
2013:	246
2012:	298
2011:	327

Source: 2013: internal hospital records; 2011 & 2012: Joint Annual Reports

OB Deliveries at MHHS (Hamblen Co.)

2012:	826
2011:	801
2010:	836

OB Deliveries at Tennova Newport (Cocke Co.)

2012:	208
2011:	258
2010:	207

Source: Joint Annual Reports

- 6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

Historical OB Utilization at Lakeway Regional:

<u>Year</u>	<u>Deliveries</u>	<u>Annual Decline</u>	<u>2 Year Decline</u>
2013:	246	(-17.4%)	(-24.8%)
2012:	298	(-8.9%)	
2011:	327		

Source: 2013: internal hospital records; 2011 & 2012: Joint Annual Reports

Projected OB Utilization at Lakeway Regional: 0

## **II. ECONOMIC FEASIBILITY**

**1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

**For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

The total estimated project cost is \$33,000. There are no capital costs involved in this project. The only costs involved are legal, administrative and consultant fees, and the CON filing fee. The applicant has not made a final determination as to the future use of the space currently used for the OB unit. There are no renovation costs involved in this project.

A completed Project Cost Chart is attached on the following page.

21

**2. Identify the funding sources for this project.**

**a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)**

- ☐ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**
- ☐ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- ☐ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- ☐ **D. Grants--Notification of intent form for grant application or notice of grant award; or**
- ☒ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- ☐ **F. Other—Identify and document funding from all other sources.**

A letter from the CFO of Lakeway Regional Hospital is attached as Attachment C, II, Economic Feasibility, 2.

**3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

The total estimated project cost is \$33,000. There are no capital costs involved in this project. The only costs involved are legal, administrative and consultant fees, and the CON filing fee. The applicant has not made a final determination as to the future use of the space currently used for the OB unit, so there are no renovation costs involved in this project.

**4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include**

**anticipated revenue from the proposed beds only, not from all beds in the facility).**

A Historical Data Chart for the OB program at Lakeway Regional is attached following this response.

A Projected Data Chart for Lakeway Regional, without the OB program is attached following this response.

# **HISTORICAL DATA CHART**

Lakeway Regional Hospital OB Depts: 021,024,028

Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year: 2011	Year: 2012	Year: 2013
A. Utilization/Occupancy Data	<b>327</b> Deliveries	<b>298</b> Deliveries	<b>246</b> Deliveries
B. Revenue from Services to Patients			
1. Inpatient Services	\$3,814,843.00	\$2,767,915.00	\$2,611,599.00
2. Outpatient Services	\$444,369.00	\$316,215.00	\$162,081.00
3. Emergency Services			
4. Other Operating Revenue			
Specify: _____			
Gross Operating Revenue	\$4,259,212.00	\$3,084,130.00	\$2,773,680.00
C. Deductions from Operating Revenue			
1. Contract Deductions	\$2,613,878.40	\$1,892,730.58	\$1,702,309.00
2. Provision for Charity Care	\$0.00	\$0.00	\$0.00
3. Provision for Bad Debt	\$54,350.00	\$37,009.00	\$41,492.00
Total Deductions	\$2,668,228.40	\$1,929,739.58	\$1,743,801.00
<b>NET OPERATING REVENUE</b>	<b>\$1,590,983.60</b>	<b>\$1,154,390.42</b>	<b>\$1,029,879.00</b>
D. Operating Expenses			
1. Salaries and Wages	\$972,480.00	\$832,691.00	\$789,807.00
2. Physicians' Salaries and Wages			
3. Supplies/Drugs	\$282,901.00	\$223,006.00	\$201,422.00
4. Taxes			
5. Depreciation			
6. Rent		\$4,243.00	\$4,436.00
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates *			
b. Fees to Non-Affiliates			
9. Other Expenses	\$134,270.00	\$97,973.00	\$91,774.00
Specify: Other Operating, Purch Serv, Maint, Malpractice			
Total Operating Expenses	\$1,389,651.00	\$1,157,913.00	\$1,087,439.00
E. Other Revenue (Expenses)—Net			
Specify: _____			
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$201,332.60</b>	<b>(\$3,522.58)</b>	<b>(\$57,560.00)</b>
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	\$0.00	\$0.00	\$0.00
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$201,332.60</b>	<b>(\$3,522.58)</b>	<b>(\$57,560.00)</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$201,332.60</b>	<b>(\$3,522.58)</b>	<b>(\$57,560.00)</b>

\* Corporate management fees allocated to Lakeway Regional are reflected on the projected data chart. However, it is not possible to allocate a portion of these fees to OB or any specific service line.

**D. Operating Expenses**

<b>9. Other Expenses</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Malpractice Ins	\$89,482	\$89,482	\$89,482
Repairs & Maint	\$13,958	\$6,706	\$2,292
Other Operating	\$6,605	\$1,785	\$0
Purchased Services	\$24,225	\$0	\$0
	\$134,270	\$97,973	\$91,774

# PROJECTED DATA CHART

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	Year 1 2419 admissions	Year 2 2467 admissions
A. Utilization/Occupancy Data (Specify unit of measure).		
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 125,258,940.00	\$ 131,521,887.00
2. Outpatient Services	\$ 200,393,126.00	\$ 210,412,782.30
3. Emergency Services	\$ 21,400,749.00	\$ 22,470,786.45
4. Other Operating Revenue (Specify) _____	\$ _____	\$ _____
Gross Operating Revenue	\$ 347,052,815.00	\$ 364,405,455.75
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 304,209,655.00	\$ 320,620,137.75
2. Provisions for Charity Care	\$ 726,077.00	\$ 762,380.85
3. Provisions for Bad Debt	\$ 4,273,440.00	\$ 4,487,112.00
Total Deductions	\$ 309,209,172.00	\$ 325,869,630.60
NET OPERATING REVENUE	\$ 37,843,643.00	\$ 38,535,825.15
D. Operating Expenses		
1. Salaries and Wages	\$ 14,694,526.00	\$ 14,988,416.52
2. Physicians' Salaries and Wages	\$ -	\$ -
3. Supplies	\$ 6,601,406.00	\$ 6,733,434.12
4. Taxes	\$ 3,907,860.00	\$ 3,946,938.60
5. Depreciation	\$ 3,288,750.00	\$ 3,321,637.50
6. Rent	\$ 1,052,032.00	\$ 1,041,511.68
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates	\$ 1,702,236.00	\$ 1,702,236.00
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 7,497,692.00	\$ 7,647,645.84
Specify: Purch Svs, R&M, Utilities, mkting, other		
Total Operating Expenses	\$ 38,744,502.00	\$ 39,381,820.26
E. Other Revenue (Expenses)—Net		
Specify: _____		
NET OPERATING INCOME (LOSS)	\$ (900,859.00)	\$ (845,995.11)
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS)	\$ (900,859.00)	\$ (845,995.11)
LESS CAPITAL EXPENDITURES	\$ -	\$ -
NOI LESS CAPITAL EXPENDITURES	\$ (900,859.00)	\$ (845,995.11)



**D. Other Operating**

<b>9. Other Expenses</b>	<b>Year 1</b>	<b>Year 2</b>
Repairs & Maint	\$1,266,948.00	\$1,292,286.96
Other Operating	\$460,814.00	\$470,030.28
Purchased Services	\$3,625,704.00	\$3,698,218.08
Med Specialty Fees	\$1,371,924.00	\$1,399,362.48
Physician Recruiting	\$9,186.00	\$9,369.72
Contract Labor	\$150,000.00	\$153,000.00
Utilities	\$613,116.00	\$625,378.32
	\$7,497,692.00	\$7,647,645.84

**5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

N/A. Since the proposal is to discontinue the OB services, there are no relevant average proposed charges.

**6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

In 2013 the average net charge for inpatient OB services at Lakeway Regional was \$10,616 per delivery. Since it is proposed OB services be discontinued, there are no proposed charges. The discontinuance of OB services will not have any effect on hospital charges for other services.

**B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).**

Since it is proposed OB services be discontinued, there are no proposed charges to compare to charges of other providers of OB services in the area. The application for the most recent similar project to be approved, Pioneer Community Hospital of Scott (CN1308-030A) likewise listed no proposed charges.

**7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

N/A. There are no projected utilization rates. As demonstrated on the Historical Data Chart, the OB program produces negative net operating income. Although economic considerations are not the driver of the request to discontinue the OB service, it is not currently a cost effective program.

**8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

The operation of the hospital without OB services is economically feasible. The Projected Data Chart, which assumes no OB services, reflects an operating loss, but only because it includes both depreciation and amortization (consolidated under "depreciation" in Line D, 5) as an above the line expense. In reality, the hospital

has and will have a positive cash flow. (See E.B.I.T.D.A. entry on Income Statement, Attachment C, II, Economic Feasibility, 10).

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Lakeway Regional Hospital participates in the Medicare and TennCare programs. In CY 2013, its OB or mix was Medicare 2.1% and TennCare 76.3%. Since this proposal involves the discontinuance of OB services, the projected Medicare and TennCare revenue is \$0.

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Financial statements for Hospital of Morristown, Inc., d/b/a Lakeway Regional Hospital are attached as Attachment C, II, Economic Feasibility, 10.

11. **Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
  - a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

The alternative to this proposal is to continue providing OB services at Lakeway Regional. This alternative would not be less costly or practical for several reasons. First, as volumes decline, a 3 years trend which is expected to continue, the cost per delivery will increase. Second, due to the lack of active medical staff pediatricians and lack of nurses to staff the nursery, and lack of adequate obstetrician coverage for the OB unit, the hospital would have to get *locum tenens* coverage, which would be cost prohibitive.

- b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing**

**arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

N/A. There is no construction or renovation involved in this project.

### **(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

A list of such providers is attached as Attachment C, III, Orderly Development, 1. A copy of a Transfer Agreement between Lakeway Regional and MHHS is attached as Attachment C, I, Need, 1, a, (1).

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

The positive effects of the proposal are: (1) it will allow OB services to be provided in the same community as they are now provided, at a hospital which has more stable clinical staffing for inpatient OB services; (2) it will allow Lakeway Regional to operate in a more cost-efficient manner; and (3) it will likely increase OB volume at MHHS.

The negative effect is it will lessen patient choice of providers for OB services. But, with an alternative provider of OB services available within 0.2 miles of Lakeway Regional, it should not adversely impact accessibility for patients.

- 3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

The staffing for the OB program at full staff:

<u>Position</u>	<u>FTEs</u>	<u>Avg. Wage</u>	<u>Median Wage (TDOL&amp;WD)</u>
RN	14	\$24.93	\$25.25
LPN	1	\$13.31	\$16.15
Surg. Tech	2	\$12.95	\$14.45

There is no proposed staffing, since the proposal is to discontinue the OB service.

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

N/A. No additional staff is required by this proposal. Lakeway Regional will continue to comply with all applicable licensing requirements.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The applicant so verifies.

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

1. Lincoln Memorial University-Debusk College of Osteopathic Medicine. Rural hospital rotation training for 3<sup>rd</sup> and 4<sup>th</sup> year medical students. Each rotation is for eight weeks.

2. University of Pikeville- Kentucky College of Osteopathic Medicine. Core rotation training for 3<sup>rd</sup> year medical students. Each rotation is for one year.

7. (a) **Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

The applicant so verifies. Lakeway Regional will maintain compliance with all licensure and certification requirements.

- (b) **Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

**Licensure:** Tennessee Board for Licensing Health Care Facilities

**Accreditation:** Joint Commission

**If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

Lakeway Regional Hospital is in good standing with both the Tennessee Board for Licensing Health Care Facilities, and the Joint Commission.

A copy of the hospital license is attached as Attachment C, III, Orderly Development, 7.

- 8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

A copy of the most recent state survey is attached as Attachment C, III, Orderly Development, 8. Immediately following the survey results is a copy of Lakeway Regional's Plan of Correction. After a diligent search, the applicant was unable to locate a copy of the state's letter accepting the POC. However, the POC was accepted by the state and implemented by Lakeway Regional.

- 9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None.

- 10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None.

- 11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If the proposal is approved, the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

## **PROOF OF PUBLICATION**

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.**

The Notice of Intent was published in the Citizen Tribune, a newspaper of general circulation in Hamblen County, Tennessee on May 9, 2014. A Publisher's Affidavit has been requested and will be timely submitted when received.

## **DEVELOPMENT SCHEDULE**

**Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.**

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached following this response.

- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

N/A.

2014-10-22

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):  
August 27, 2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	<b>DAYS REQUIRED</b>	<b>Anticipated Date (MONTH/YEAR)</b>
1. Architectural and engineering contract signed		
2. Construction documents approved by the Tennessee Department of Health		
3. Construction contract signed		
4. Building permit secured		
5. Site preparation completed		
6. Building construction commenced		
7. Construction 40% complete		
8. Construction 80% complete		
9. Construction 100% complete (approved for occupancy		
10. *Issuance of license		
11. *Initiation of service (Discontinuance of OB Service)	30	September, 2014
12. Final Architectural Certification of Payment		
13. Final Project Report Form (HF0055)	60	October, 2014

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

**Note:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.



**List of Attachments**  
**Lakeway Regional Hospital**

Organizational documentation	<u>Attachment A, 4</u>
Deed to the hospital property	<u>Attachment A, 6</u>
Plot Plan	<u>Attachment B, III, (A)</u>
Floor plan of the existing OB unit	<u>Attachment B, IV</u>
Transfer Agreement between Lakeway Regional and MHHS	<u>Attachment C, I, Need, 1, a, (1)</u>
Map of the service area	<u>Attachment C, I, Need, 3</u>
Demographics of the service area	<u>Attachment C, I, Need, 4</u>
Funding Letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Financial statements	<u>Attachment C, II, Economic Feasibility, 10</u>
List of health care contractors	<u>Attachment C, III, Orderly Development, 1</u>
Hospital license	<u>Attachment C, III, Orderly Development, 7</u>
State survey and Plan of Correction	<u>Attachment C, III, Orderly Development, 8</u>



**STATE OF TENNESSEE**  
**Tre Hargett, Secretary of State**  
Division of Business Services  
William R. Snodgrass Tower  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

STITES & HARBISON, PLLC  
STE 800  
401 COMMERCE ST  
NASHVILLE, TN 37219-2490

**Request Type: Certified Copies**  
Request #: 126997

Issuance Date: 04/29/2014  
Copies Requested: 1

**Document Receipt**

Receipt #: 1489022

Filing Fee: \$20.00

Payment-Check/MO - STITES & HARBISON, PLLC, NASHVILLE, TN

\$20.00

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that **HOSPITAL OF MORRISTOWN, INC.**, Control # 264618 was formed or qualified to do business in the State of Tennessee on 04/14/1993. HOSPITAL OF MORRISTOWN, INC. has a home jurisdiction of TENNESSEE and is currently in an Active status.

Tre Hargett  
Secretary of State

Processed By: Nichole Hambrick

The attached document(s) was/were filed in this office on the date(s) indicated below:

<u>Reference #</u>	<u>Date Filed</u>	<u>Filing Description</u>
2681-0334	04/14/1993	Initial Filing
2699-2567	06/07/1993	Assumed Name
2776-1591	01/10/1994	Administrative Amendment
2894-1498	09/23/1994	Registered Agent Change (by Entity)
2966-0201	03/01/1995	CMS Annual Report Update
3044-1163	08/21/1995	Assumed Name
3064-0812Q	10/05/1995	Registered Agent Change (by Entity)
3094-1376	12/29/1995	CMS Annual Report Update
3904-0013	05/08/2000	Registered Agent Change (by Agent)
4408-0501	01/29/2002	2001 Annual Report (Due 04/01/2002)
4956-0538	11/06/2003	Registered Agent Change (by Entity)
5239-1692	09/20/2004	Registered Agent Change (by Entity)
5418-3367	04/04/2005	2004 Annual Report (Due 04/01/2005)
5513-0927	07/21/2005	Assumed Name

The attached document(s) was/were filed in this office on the date(s) indicated below:

<b>Reference #</b>	<b>Date Filed</b>	<b>Filing Description</b>
5513-0928	07/21/2005	Assumed Name
5513-0929	07/21/2005	Assumed Name
5734-0876	03/27/2006	2005 Annual Report (Due 04/01/2006)
6012-0380	03/30/2007	2006 Annual Report (Due 04/01/2007)
6281-2471	04/04/2008	Registered Agent Change (by Entity)
6724-2404	05/26/2010	Assumed Name Renewal
6724-2405	05/26/2010	Assumed Name Renewal
6724-2406	05/26/2010	Assumed Name Renewal
A0103-0186	02/03/2012	2011 Annual Report (Due 04/01/2012)

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STATE OF TENNESSEE  
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SECRETARY OF STATE

## CHARTER

OF

## HOSPITAL OF MORRISTOWN, INC.

The undersigned, having capacity to contract and acting as the Incorporator for the above listed corporation under the Tennessee Business Corporation Act, adopts the following charter for such corporation:

1. The name of the corporation is Hospital of Morristown, Inc.
2. (a) The complete address of the corporation's initial registered office in Tennessee is 530 Gay Street, Knox County, Knoxville, Tennessee 37902.  
(b) The name of the initial registered agent, to be located at the address listed in 2(a) is C T Corporation System.
3. The name and complete address of the incorporator is Sara Martin-Michels, 414 Union Street, Suite 1200, Davidson County, Nashville, Tennessee 37219-1777.
4. The complete address of the corporation's principal office is 726 McFarland Street, Hamblen County, Morristown, Tennessee 37814.
5. The corporation is for profit.
6. The number of shares that the corporation is authorized to issue is One Thousand (1,000) shares of \$.01 par value common stock which shall have unlimited voting rights and the right to receive the net assets of the corporation upon dissolution of the corporation.
7. The business and affairs of the corporation shall be managed by a board of Directors. The number of directors and their term shall be specified in the Bylaws of the corporation.
8. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 48-18-304 of the Tennessee Business Corporation Act (the "Tennessee Code") or (iv) for any transaction from which the director derives an improper personal benefit. If the Tennessee Code is amended hereafter to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Tennessee Code, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

9. Indemnification:

A. Rights to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, or is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Tennessee as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid or to be paid in settlement) incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue with respect to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that except as provided in paragraph (B) hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding initiated by such indemnitee only if such proceeding was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Tennessee Code requires, an advancement of expenses incurred by an indemnitee shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Article or otherwise.

B. Right of Indemnitee to Bring Suit. If a claim under paragraph (A) of this Article is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation (except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days), the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right

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to indemnification hereunder (but not a suit brought by the indemnitee to enforce a right to an advancement of expenses) shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Tennessee Code. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee has met the applicable standard of conduct set forth in the Tennessee Code, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, or in the case of such a suit brought by the indemnitee, shall be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled under this Article or otherwise to be indemnified, or to such advancement of expenses, shall be on the Corporation.

C. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under this Charter or any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

D. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any indemnitee against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Tennessee Code.

E. Indemnity of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article or as otherwise permitted under the Tennessee Code with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Dated this 13th day of April, 1993.

Sara Martin Michels  
Sara Martin-Michels  
Incorporator

## APPLICATION FOR REGISTRATION OF ASSUMED CORPORATE NAME

Pursuant to the provisions of Section 48-14-101(d) of the Tennessee Business Corporation Act or Section 48-54-101(d) of the Tennessee Nonprofit Corporation Act, the undersigned corporation hereby submits this application:

SECRETARY OF STATE

1. The true name of the corporation is Hospital of Morristown, Inc.

2. The state or country of incorporation is Tennessee

3. The corporation intends to transact business in Tennessee under an assumed corporate name

4. The corporation is for profit.

~~The corporation is nonprofit.~~

[NOTE: Please strike the sentence which does not apply to this corporation.]

5. The assumed corporate name the corporation proposes to use is \_\_\_\_\_

Lakeway Regional Hospital

[NOTE: The assumed corporate name must meet the requirements of Section 48-14-101 of the Tennessee Business Corporation Act or Section 48-54-101 of the Tennessee Nonprofit Corporation Act.]

May 28, 1993  
Signature Date

Secretary  
Signer's Capacity

hospital of Morristown, Inc.  
Name of Corporation

Linda K. Parsons  
Signature

Linda K. Parsons  
Name (typed or printed)

FROM: Galen of Tennessee, Inc.

TO: Hospital of Morristown,  
Inc.

This instrument prepared by:  
BOULT, CUMMINGS, CONNERS & BERRY  
Suite 1200, NationsBank Plaza  
414 Union Street  
Nashville, Tennessee 37219-1777

Address New Owner:  
Hospital of Morristown, Inc.  
c/o Community Health Systems, Inc.  
3707 FM 1960 West  
Suite 500  
Houston, Texas 77068

Send Tax Statements To: Map 33-L  
Same Parcel Nos.:  
1, 2, 15, 18,  
19 and 30

STATE OF TENNESSEE )  
COUNTY OF DAVIDSON )

The actual consideration or value, whichever is greater, for this transfer is  
\$10,272,093.00.

Affiant

Subscribed and sworn to before me, this the 27 day of May, 1993

Notary Public

My Comm. Expires: 9-21-96

#### GENERAL WARRANTY DEED

FOR AND IN CONSIDERATION OF the sum of Ten Dollars, cash in hand paid by the hereinafter named GRANTEE, and other good and valuable considerations, the receipt of which is hereby acknowledged, GALEN OF TENNESSEE, INC., a Tennessee corporation and successor by name change to Humana of Tennessee, Inc., hereinafter called the GRANTOR, has bargained and sold, and by these presents does transfer and convey unto HOSPITAL OF MORRISTOWN, INC., a Tennessee corporation, hereinafter called the GRANTEE, its successors and assigns, certain tracts or parcels of land in Hamblen County, State of Tennessee, described as follows, to wit:

SEE EXHIBIT A ATTACHED HERETO AND INCORPORATED  
HEREIN BY REFERENCE AS FULLY AS THOUGH COPIED HEREIN.

Said property is transferred subject to the limitations, restrictions, and encumbrances set forth on said EXHIBIT A.

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This is improved property known as 726 McFarland Street, Morristown, Tennessee 37814; 608 W. 6<sup>th</sup> Street North, Morristown, Tennessee 37814; and 615 W. 7<sup>th</sup> Street North, Morristown, Tennessee 37814; also, unimproved property known as 607 W. 6<sup>th</sup> Street North, Morristown, Tennessee 37814.

TO HAVE AND TO HOLD the said real property together with all appurtenances, estate, title and interest thereto belonging to the said GRANTEE, its successors and assigns, forever, and GRANTOR does covenant with the said GRANTEE that it is lawfully seized and possessed of said land in fee simple, has a good right to convey it, and the same is unencumbered, unless otherwise herein set out; and GRANTOR does further covenant and bind itself, its successors, assigns, and representatives, to warrant and forever defend the title to the said land to the said GRANTEE, its successors and assigns, against the lawful claims of all persons whomsoever. Wherever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

IN WITNESS WHEREOF, GRANTOR has executed this Warranty Deed on the 27 day of May, 1993.



GALEN OF TENNESSEE, INC.

BY: Gary W. Metcalf

TITLE: Senior Vice President

STATE OF Kentucky )  
COUNTY OF Jefferson )

Before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared GARY W. METCALF, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath acknowledged himself to be Senior Vice President of Galen of Tennessee, Inc., the within named bargainor, a corporation, and that he as such Senior Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Senior Vice President.

Witness my hand and seal, at office in Louisville, Kentucky, this the 27 day of May, 1993.

Thomas J. Coulter  
NOTARY PUBLIC

My Commission Expires Notary Public, State at Large, KY.  
My commission expires Aug. 6, 1995



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**EXHIBIT A**

The following described real estate situated in the FIRST Civil District of HAMBLLEN County, Tennessee, and being more particularly described as follows:

**PARCEL NO. 1:**

BEGINNING at a monument, in the northwest intersection of West Sixth North and Church Street; thence with the margin of Church Street, S 32 deg 29 min E 119.49 ft to a point, corner to Masengill and Jefferson Federal Savings and Loan (to be conveyed to Humana of Tennessee, Inc.); thence with Masengill and Jefferson Federal Savings and Loan, S 55 deg 40 min W 99.97 ft to a point; thence with the lines of Gregg and Rymer, N 32 deg 29 min W 119.19 ft to a point in the southern margin of West Sixth North Street; thence with the southern margin of West Sixth North Street, N 55 deg 30 min E 99.98 ft to the point of BEGINNING, containing 0.27 acres more or less, according to surveys of Richard J. Epling, P.E., dated March 22, 1990.

AND BEING the same real property conveyed to Humana of Tennessee, Inc. by deed of William C. Hanks, et al., dated March 27, 1990, and of record in Deed Book 378, page 268, in the Register's Office of Hamblen County, Tennessee. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332 said Register's Office.

**PARCEL NO. 2:**

BEGINNING at a point in the northern margin of West 5th North Street, corner to Gregg; thence N 32 deg 29 min W 80 ft to a point, corner to Gregg and Hanks Estate; thence with the line of Hanks Estate N 55 deg 40 min E 99.97 ft to a point in the western margin of Church Street; thence with the margin of Church Street, S 32 deg 29 min E 80 ft to a point at the intersection of West 5th North and Church Street; thence with the margin of West 5th North Street, S 55 deg 40 min W 99.97 ft to the point of BEGINNING, according to survey of Richard J. Epling P.E., dated March 22, 1990.

AND BEING the same real property conveyed to Humana of Tennessee, Inc. by deed of Jefferson Federal Savings and Loan Association and Ralph P. Masengill, Jr., et ux, dated March 26, 1990, and of record in Deed Book 378, page 55, in said Register's Office. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332 said Register's Office.

**PARCEL NO. 3:**

BEGINNING at an iron pin set in the southerly right-of-way line of West Sixth North Street, common corner to the property herein described and the property now or formerly belonging to Arthur Rymer (formerly McKinney, et al), as same is described and conveyed in

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deed of record in Deed Book 64, page 151, in the Office of the Register of Deeds for Hamblen County, Tennessee; and from said Point of Beginning running thence South 57° 01' West with the southerly right-of-way line of West Sixth North Street 60.5 feet to an iron pin, common corner to the property herein described and the property of Humana, Inc. (formerly Holdway); thence with the dividing line between the property of Humana, Inc., and the property herein described running South 24° 35' East 99.66 feet to an iron pin, common corner to the property herein described and the property of Humana, Inc.; thence running North 58° 05' East with the dividing line between the property herein described and the properties of Humana, Inc., and of James Howerton 75.5 feet to an iron pin, common corner to the property herein described and the properties now or formerly belonging to Howerton, Gregg and Rymer; thence with the dividing line between the property herein described and the property of Rymer running North 33° 14' West 100 feet to the iron pin, the POINT OF BEGINNING, as shown by survey of James N. Loupe, Jr., Tennessee Registered Land Surveyor Number 945, said survey being dated May 18, 1982, and

BEING the same property conveyed to Humana of Tennessee, Inc. by warranty deed of Donald Brooks, et al., dated June 12, 1982, of record in Deed Book 317, page 685, in said Register's Office. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332 said Register's Office.

PARCEL NO. 4:

BEGINNING at an iron pin at the northwestern intersection of West 6th North Street and Church Street; thence with the northern margin of West 6th North Street S 55 deg 30 min W 110 ft to an iron pin, corner to Gibson; thence with Gibson's line, N 32 deg 27 min W 122.43 ft to an iron pin, corner to Extencicare of Tennessee, Inc.; thence with Extencicare's line N 55 deg 30 min E 110 ft to an iron pin, in the western margin of Church Street; thence with the margin of Church Street, S 32 deg 27 min E 122.43 ft to an iron pin at the point of BEGINNING, according to survey of Richard J. Epling P.E. dated November 14, 1990.

AND BEING the same real estate conveyed to Humana of Tennessee, Inc. by warranty deed of Christopher Scott Buchanan dated November 21, 1990, and of record in Deed book 383, page 633, in said Register's Office. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332 said Register's Office.

PARCEL NO. 5:

BEGINNING on a stake in the southernmost corner of West Seventh North Street and McFarland (or Church) Street; thence westward with the south side of 7th North Street 198 feet to a stake, corner to Hubble; thence with the Hubble line southward 60 feet to a stake, corner to Jones; thence eastward and parallel with 7th North Street 196 feet to a stake in the western edge of Church (or McFarland) Street; thence northward 60 feet to the BEGINNING.

Being the real estate conveyed to Extencicare of Tennessee, Inc. by deed of George B. Johnson et ux, dated November 30, 1972, and of record in Deed Book 216, at page 21, said Register's Office. Extencicare of Tennessee, Inc. having changed its name to Humana of Tennessee, Inc. by Articles of Amendment to Charter dated April 23, 1974 of record in Book 26, page 329 said Register's Office. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332, said Register's Office.

PARCEL NO. 6:

BEGINNING on a stake on the western edge of Church Street, the southeastern corner of a lot heretofore conveyed to Bruce Crosby by R. F. Taylor et al, which is 60 feet southward from the southern edge of Seventh North Street; thence with the line of Bruce Hodges' lot and parallel with said Seventh North Street 191 feet to a stake, the Bruce Hodges' corner; thence to a stake where a dogwood once stood, which is a corner to the Bayless lot; thence turning a little westward and running with a line of the Bayless lot about 55 feet to a stake, corner to a lot conveyed by R. F. Taylor et al to Millard or Carmon Hodges; thence eastwardly and parallel with Seventh North Street about 198 feet to a stake in the western edge of Church Street; thence northward with same 63 feet to the BEGINNING.

Being the same real estate conveyed to Extencicare of Tennessee, Inc. by deed of Masengill Real Estate Company, a corporation, dated December 1, 1972, and of record in Deed Book 216, at page 26, said Register's Office. Extencicare of Tennessee, Inc. having changed its name to Humana of Tennessee, Inc. by Articles of Amendment to Charter dated April 23, 1974 of record in Book 26, page 329, said Register's Office. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332, said Register's Office.

PARCEL NO. 7:

TRACT ONE: BEGINNING at a stake in the northeast corner of lot formerly belonging to Brooks in the south side of Seventh North Street (the Point of beginning being 50 feet east of lot formerly owned by Mack C. Witt); thence in a southern direction 150 feet to stake in the line of lands formerly owned by S. J. Felknor; thence eastward with the Felknor line and parallel with Seventh North Street 100 feet to a stake; thence northward 150 feet to the south side of Seventh North Street; thence westward along the margin of said street 100 feet to the BEGINNING corner, and

TRACT TWO: FRONTING 50 feet on the southern edge of West Seventh North Street, extending back southwardly between parallel lines 150 feet, more or less, being bounded on the north by Seventh North Street, on the south by Holdway, on the east by Arnold and on the west by Fowler.

TRACT THREE: BEGINNING at an iron pin on the northeast corner of said lot on the south side of West Seventh North Street, at the corner of the Hopper lot; thence running

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west approximately 39 feet to an iron pin on the south side of said West Seventh North Street, at the corner of said lot and Murphy's lot. Said lot runs back from West Seventh North Street southwardly to the line of Holloway' lot, and is bounded on the north by Seventh North Street, on the east by Hopper and Rines, on the south by Holloway and on the west by Murphy.

Being the same real estate conveyed to Extencicare of Tennessee, Inc. by deed of Flora Pearl Bacon, of record in Deed Book 216, at page 23, said Register's Office. Extencicare of Tennessee, Inc. having changed its name to Humana of Tennessee, Inc. by Articles of Amendment to Charter dated April 23, 1974 of record in Book 26, page 329, said Register's Office. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 33, said Register's Office.

PARCEL NO. 8:

TRACT I

BEGINNING at an iron pin in the southeast intersection of McFarland and West Seventh North Streets, thence north 72 degrees 33 minutes east 183.2 feet with the southern edge of West Seventh North Street to an iron pin in same; thence south 23 degrees east 277.2 feet to an iron pin, corner of Fowler; thence south 59 degrees 15 minutes west with Fowler's line 184.2 feet to an iron pin in the east margin of McFarland Street; thence north 23 degrees west with the east margin of McFarland Street 320 feet to the point of BEGINNING, containing 1.25 acres, more or less.

TRACT II

FIRST PARCEL: BEGINNING at a point where the eastern edge of McFarland Street intersects with the northern edge of West Fifth North Street; thence with the northern edge of West Fifth North Street, N. 59 deg. 15 mins. east 184.2 ft.; thence N. 23 deg. 00 mins. west 230 ft. to a point, corner to Downtown Convalescent and Nursing Home, Inc.; thence with the line of Downtown Convalescent and Nursing Home, Inc. S. 59 deg. 15 mins. west 184.2 ft. to a point in the eastern edge of McFarland Street; thence with the eastern edge of McFarland Street S. 23 deg. 00 mins. east 230 ft. to the point of beginning, and

SECOND PARCEL: BEGINNING at a point in the southern edge of West Seventh North Street, corner to Downtown Convalescent and Nursing Home, Inc; thence N. 66 deg. 34 mins. east 24 ft. to a point, corner to Bacon; thence S. 23 deg. 00 mins. east 79.9 ft. to a point; thence N. 66 deg. 50 mins. east 167.7 ft. to an iron pin in the line of Rines; thence S. 20 deg. 59 mins. east 87 ft. with the line of Rines and Gibson to an iron pin; thence S. 68 deg. 58 mins. west 189 ft. to an iron pin in the line of Downtown Convalescent and Nursing Home, Inc., corner to Adcock; thence N. 23 deg. 00 mins. West 160 ft. with the line of downtown Convalescent and Nursing Home, Inc. to the point of beginning, and

### TRACT III

BEGINNING at a point, common corner of the property of Travis, Gibson, Doctors Hospital and the property herein conveyed; thence south 24 degrees 35 minutes east 220 feet to an iron pin; thence south 68 degrees 52 minutes west 196.1 feet to a stake in the line of Doctors Hospital; thence with the line of Doctors Hospital north 23 degrees 00 minutes west 220 feet to a stake, corner to Doctors Hospital; thence continuing with the line of Doctors Hospital north 68 degrees 58 minutes east 189 feet to the point of BEGINNING.

BEING the same real estate conveyed to Humana of Tennessee, Inc. by deed of The Health, Educational and Housing Facilities Board of the City of Morristown, Tennessee, dated July 9, 1986, recorded in Warranty Deed Book 346, page 626, in said Register's Office. Humana of Tennessee, Inc. having changed its name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332, said Register's Office.

#### PARCEL NO. 9:

BEGINNING at a point in the existing north right-of-way of West Fifth North Street, said point falling North 59 deg. 15 min. East 184.2 feet from the intersection of the existing east right-of-way of McFarland Street and the existing north right-of-way of West Fifth North Street, said point being a common corner between the Lynch and Humana of Tennessee, Inc. properties and being the southwest corner of the property herein described:

Thence, North 23 deg. 00 min. 00 seconds West 127.20 feet with a common line between the Lynch and Humana properties to a point, said point being the northwest corner of the Lynch property;

Thence North 66 deg. 19 min. 17 seconds East 195.74 feet with a common line between the Lynch and Humana properties to an existing iron pin;

Thence, North 61 deg. 18 min. 32 seconds East 16.71 feet with a common line between the Lynch and Walter Brooks properties to a point, said point being the northeast corner of the Lynch property and the northwest corner of the James Howerton property;

Thence, South 32 deg. 53 min. 00 seconds East 99.77 feet with a common line between the Lynch and Howerton properties to a point in the existing north right-of-way of West Fifth North Street, said point being the southeast corner of the Lynch property;

Thence, South 58 deg. 51 min. 00 seconds West 231.81 feet with the existing north right-of-way of West Fifth North Street to the point of BEGINNING.

Said property herein described being the same real estate conveyed to Humana of Tennessee, Inc. by deed of E. Gene Lynch, et ux, dated December 31, 1975, of record in Book 252, page 287, in said Register's Office. Humana of Tennessee, Inc. having changed its

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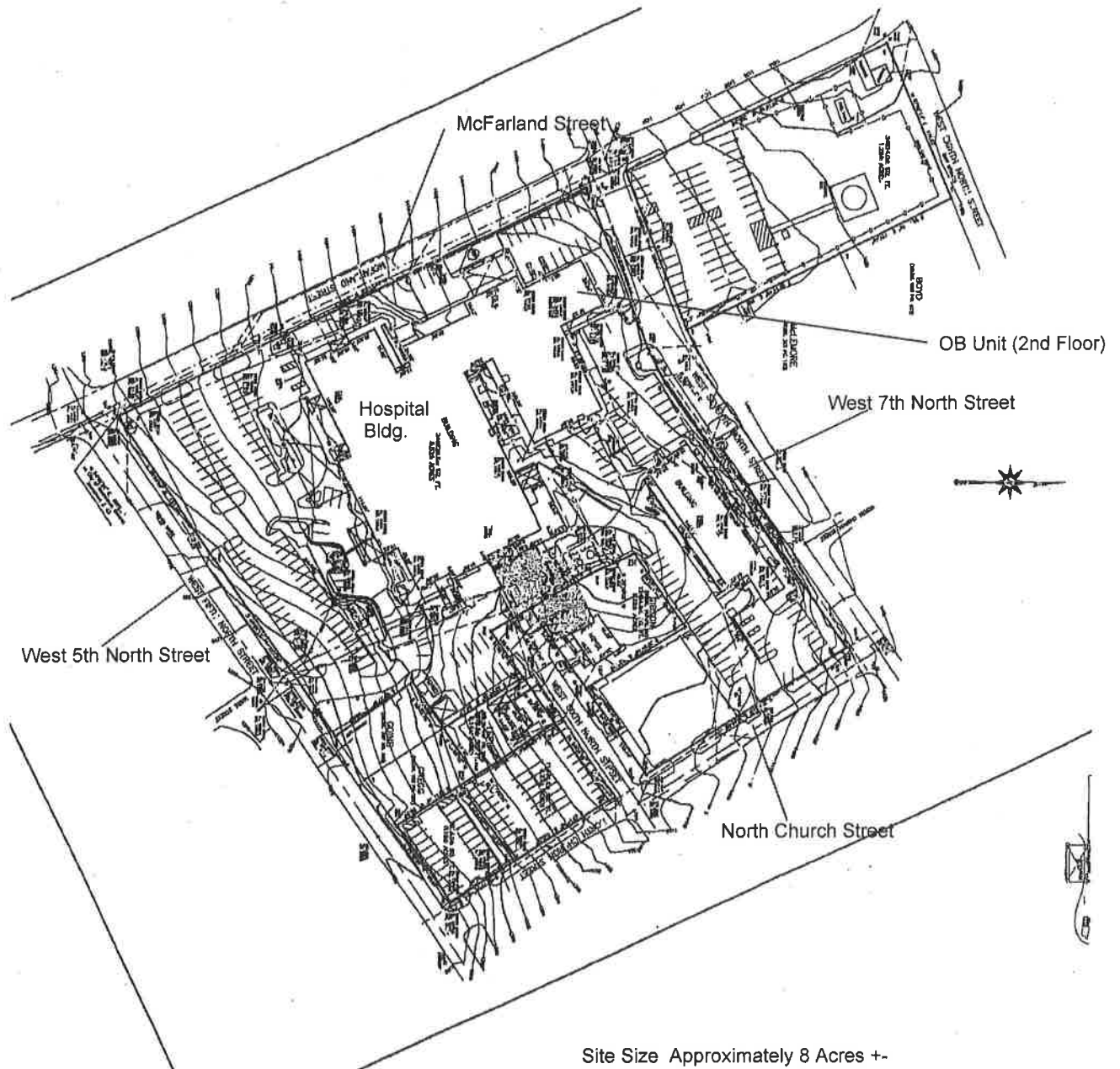
name to Galen of Tennessee, Inc. by Articles of Amendment to Charter dated November 25, 1992, recorded in Book 26, page 332 said Register's Office.

PARCEL NO. 9 is subject to Easement from E. Gene Lynch to Doctor's Hospital, Inc. and The Health and Educational Facilities Board of the City of Morristown, Tennessee of record in Book 127, page 362, in said Register's office.

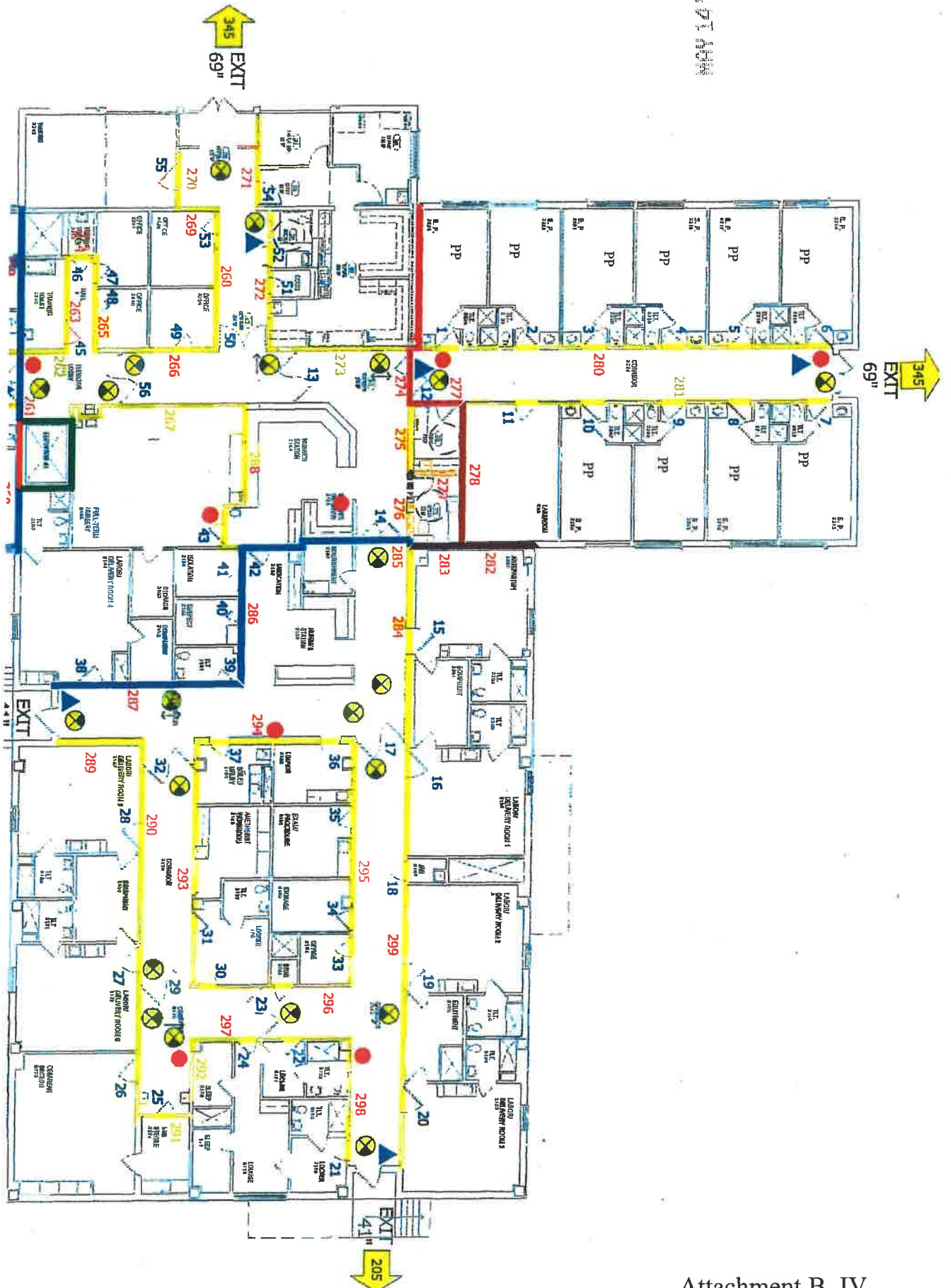
All parcels are subject to 1993 property taxes not yet due and payable.

5:20p  
TENNESSEE HAMBIEN COUNTY  
38<sup>TH</sup> MAY 93  
WAR 1405 284  
38,006<sup>74</sup> 3300 1.00 38,039.74  
3903 Mary A. Hodge

ASSESSOR OF PROPERTY  
Glen Hyslop MAH  
DIST 01 MAR 33 GR C POL 1215, 18, 19, 30







Attachment B, IV

## TRANSFER AGREEMENT

**THIS TRANSFER AGREEMENT** (the "Agreement") is entered into as of the Effective Date by and between the parties described on the signature page below, each of which may be individually referred to as "Party" and together which are collectively referred to herein as "Parties."

**WHEREAS**, the Parties are licensed health care facilities serving the health care needs of the residents of their respective service areas; and

**WHEREAS**, a Party ("Transferring Facility") may, from time to time, require the services of the other Party ("Receiving Facility") to provide health care services to patients served by Transferring Facility.

**NOW, THEREFORE**, in consideration of the promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

**1. Transfers.** When the Transferring Facility does not have the capability or resources to perform certain services as may be mutually agreed to by the Transferring Facility and the Receiving Facility, the Transferring Facility may transfer the patient to the Receiving Facility for such services, and the Receiving Facility agrees to accept transfers of such patients from the Transferring Facility in accordance with this Agreement and consistent with current federal and state laws.

**2. Prior to Transfer.** Before transferring any patient, a Transferring Facility physician shall examine the patient, document the patient's condition, and determine that the patient requires specialized services provided at the Receiving Facility. The Transferring Facility physician shall evaluate the patient and determine whether the patient is stabilized for transport. Patients not stabilized will not be transferred unless the patient (or a responsible person acting on the patient's behalf) provides a written request for transfer, despite being informed of the hospital's EMTALA obligations to provide treatment, or the Transferring Facility physician certifies in writing that, based upon the reasonable risks and benefits to the patient and the information available at the time, the medical benefits of the transfer outweigh the risks to the patient.

**3. Accepting Transfers.** A patient may be transferred to a Receiving Facility only after an attending physician at such facility agrees to accept the patient's transfer and to provide appropriate medical treatment after speaking with a Transferring Facility physician. The Receiving Facility and its physicians shall give prompt confirmation of whether the Receiving Facility can provide care appropriate to the patient's medical needs. If the Receiving Facility's attending physician has approved and agreed to the admission of the transfer patient after concluding that the Receiving Facility has available space and qualified personnel for treatment of the individual, Receiving Facility shall facilitate prompt admission of the patient.

**4. Transfer Decisions; Nondiscrimination.** Neither the Transferring Facility nor the Receiving Facility shall make any decision regarding the transfer or admission of a patient in a discriminatory, arbitrary, or capricious manner, or in the case of an emergency, on the basis of a patient's insurance status, source of payment, or ability to make payment. Services shall be provided under this Agreement in a nondiscriminatory manner without regard to race, gender, religion, color, national origin, or disability.

**5. Appropriate Transfers.** The Transferring Facility shall arrange for provision of appropriate transfers in accordance with state and federal law and, as necessary, shall provide or arrange

for provision of qualified personnel, appropriate transportation equipment, and the use of necessary and medically appropriate life support measures during the transfer. The Transferring Facility shall assure that the required EMTALA and other standard transfer and referral forms, relevant portions of the patient's medical record, and other relevant information needed to continue the care of the patient, together with all other essential identifying and administrative information necessary for treatment and payment, are sent with the patient on transport or made available as soon as practicable after transfer. The Receiving Facility agrees to accept appropriate transfers of patients from the Transferring Facility consistent with this Agreement and as required by law.

**6. Treatment Responsibilities.** The Transferring Facility shall bear no responsibility for the care and treatment provided to any patient once the Transferring Facility no longer has physical custody of the patient. The Receiving Facility shall bear no responsibility for the care and treatment provided to any patient prior to the arrival at the Receiving Facility.

**7. Payment.** It is agreed that services rendered by the Receiving Facility or the Transferring Facility shall be charged to the patient (or applicable payer) and that neither shall be held responsible for payment of services rendered to the patient by the other. The Parties shall cooperate in the provision of the information for each Party to bill and obtain payment for the services provided by them. Each Party will use reasonable commercial efforts to abide by all policies, regulations, and contractual obligations with regard to billing patients and/or third party payors for services it performs. Neither Party nor their physicians shall be held responsible for payment for services rendered by the other Party or its physicians.

**8. Applicable Law.** This Agreement shall be governed by, and services performed hereunder shall be provided in a manner consistent with, Tennessee and applicable federal laws and/or regulations, without regard to principles of conflicts of law. This includes, but is not limited to, the provisions of the Emergency Medical Treatment and Active Labor Act ("EMTALA"), 42 U.S.C.A. § 1395dd; Tennessee law regarding patient transfer, TCA § 68-11-701 through 705; EMTALA regulations, 42 C.F.R. § 489.24; and Tennessee regulation governing patient transfers, Tenn. Reg. § 1200-8-1-.05. This provision shall survive the termination of this Agreement.

**9. Incidents.** The Parties agree to promptly notify each other in writing of any incident, occurrence, or claim arising out of or in connection with the transfer of a patient transferred under the Agreement and to cooperate with each other in any investigation of said incident, occurrence, or claim, including providing the other Party with any necessary medical records and information upon request. In addition, should a Party obtain information that reasonably leads it to believe there has or may have been a violation of law or this Agreement relative to the transfer or attempted transfer of a patient, such Party shall promptly provide notice of the same to the other Party.

**10. Independent Parties.** Nothing contained in the Agreement shall be construed or deemed to create a relationship of employer and employee, principal and agent, insured and insurer, partnership, joint venture, or any other relationship other than that of independent parties, contracting with each other solely to carry out the purposes recited in the Agreement. Each Party shall be considered to be an independent party and shall not be construed to be an agent or representative of the other Party, and therefore, has no liability for the acts or omissions of the other Party. In addition, neither Party, nor any of its employees, agents, or subcontractors, shall be deemed employees or agents of the other Party.

**11. Insurance.** Each Party agrees to maintain adequate liability coverage as is customary for comparable facilities in the region to cover itself, and its employees, contractors, and agents from any and all liability arising out of or related to the services provided pursuant to this Agreement including, but not limited to, general and professional liability coverage. However, this provision shall not be construed so

as to prohibit the Parties from fulfilling this obligation with various programs of insurance, self-insurance, and/or self insured retention. This provision shall survive the expiration or termination of this Agreement for any reason.

**12. Term.** This Agreement shall be effective from the Effective Date and shall continue until terminated. Either Party may terminate this Agreement upon thirty (30) days written notice to the other Party. Each Party agrees to give prompt notice to the other Party in the event of institution of proceedings for suspension or revocation of its license, and to provide notice of suspension or revocation of its license within twenty-four (24) hours of its occurrence. This Agreement shall automatically terminate should either Party fail to maintain licensure or certification as required by law or regulation. Further, either Party, in its sole discretion, may terminate this Agreement in the event the other Party is given notice of the institution of proceedings to suspend or revoke its licensure.

**13. Compliance with Applicable Law; Exclusion.** Each Party represents and warrants it is duly licensed under applicable law and it has not been excluded from participation in Medicare, TennCare, Medicaid, or any other federal or state healthcare program. Each Party agrees to abide by applicable law and regulations governing the licensure, accreditation, and operation of its facility.

**14. No Third-Party Beneficiaries.** This Agreement is intended solely for the benefit of the Parties. No other parties shall have any rights or remedies under this Agreement.

**15. Severability.** The provisions of this Agreement are severable. If any provision of this Agreement is held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining portions of this Agreement unless such illegality or invalidity prevents accomplishment of the goals, objectives, or purposes of the Agreement.

**16. Waiver.** Waiver of any requirement of this Agreement shall not be effective unless such waiver is in writing. Waiver of past breach, default, deficient performances or otherwise, even on multiple occasions, shall not be considered as a waiver of any rights or remedies at law or equity in any future circumstance regardless of similarity to past instances.

**17. Entire Agreement; Amendments.** This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein and supersedes any other agreements, restrictions, representations, or warranties, if any, between the parties hereto with regard to the subject matter herein. No revision in or amendment to this Agreement shall be valid unless such revision or amendment is in writing and executed by all Parties hereto.

**18. Notices.** All notices or other communications provided for in this Agreement shall be given in writing and either personally delivered or sent by U.S. First Class Mail to the address noted on the signature page below, or to such other address and to the attention of such other person or officer as either Party may designate in a notice provided in accordance with this Section.

**19. Assignment; Successors.** Neither Party shall assign or transfer any rights or delegate or subcontract any duties or obligations under this Agreement to a third party without the prior written consent of the other Party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors or proper assigns.

**20. Governing Law; Venue.** This Agreement shall be governed in accordance with the laws of the State of Tennessee without regard to conflicts of law principles. Any disputes relating to the performance, validity, or interpretation of this Agreement shall be litigated exclusively in the courts of Knox County, Tennessee, and the parties hereby submit to the personal jurisdiction of such courts.

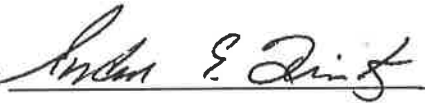
21. **Headings.** The headings and titles contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

22. **Force Majeure.** Neither Party shall be liable in damages for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its reasonable control including, but not limited to Acts of God, wars, insurrections and/or any other cause beyond the reasonable control of the Party whose performance is affected provided that it notifies the other Party as soon as practicable and uses reasonable commercial efforts to resume performance.

23. **Multiple Counterparts.** This Agreement may be executed in one or more counterparts (facsimile transmission or otherwise), and each counterpart shall be deemed an original and all of which shall constitute but one agreement.

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of May 1<sup>st</sup>, 2014 (the "Effective Date").

**Morristown-Hamblen Healthcare System**

By: 

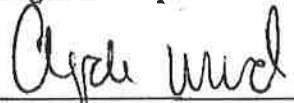
Printed Name: Gordon Lintz

Title: Chief Executive Officer

Address: Morristown-Hamblen Healthcare System

ATTN: Gordon Lintz, CEO  
908 W 4<sup>th</sup> N St.  
Morristown, TN 37814

**Hospital of Morristown Inc. d/b/a  
Lakeway Regional Hospital**

By: 

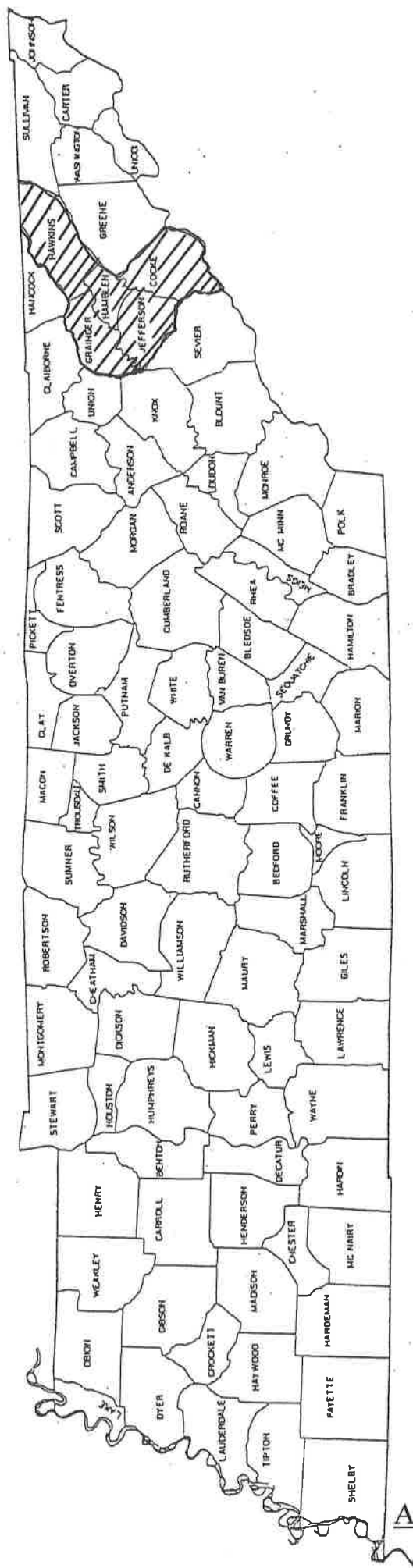
Printed Name: Clyde Wood

Title: Chief Executive Officer

Address: Lakeway Regional Hospital

ATTN: Clyde Wood, CEO  
726 McFarland St  
Morristown, TN 37814

## O.B. SERVICE AREA



# DEMOGRAPHICS OF SERVICE AREA

Variable	Hamblen	Cooke	Grainger	Hawkins	Jefferson	Service Area	State of Tenn.
Current Year (2014), Female Age 15-44	11,732	13,178	4,076	9,478	9,939	48,403	1,301,018
Projected Year (2018)*, Female Age 15-44	12,182	14,444	4,249	8,628	8,296	47,799	1,326,526
Female Age 15-44, % Change ('14-'18)	3.8%	9.6%	4.2%	-9.0%	-16.5%	-1.2%	2.0%
Female Age 15-44, % Total (PY)	18.6%	37.4%	17.9%	14.8%	14.6%	19.7%	19.4%
CY, Total Population	64,108	36,762	23,111	57,509	53,729	235,219	6,588,698
PY, Total Population	65,570	38,615	23,675	58,164	56,872	242,896	6,833,509
Total Pop. % Change	2.3%	5.0%	2.4%	1.1%	5.8%	3.3%	3.7%
TennCare Enrollees (Jan., 2014)	12,995	9,766	4,915	11,593	10,161	49,430	1,184,986
TennCare Enrollees as % of Total Population(CY)	20.3%	26.6%	21.3%	20.2%	18.9%	21.0%	18.0%
Median Age	40	43	42	42	41	41.25 (avg.)	38
Median Household Income ('08-'12)	\$39,316	\$29,764	\$33,185	\$36,419	\$38,800	\$36,930 (avg.)	\$44,140
Population % Below Poverty Level ('08-'12)	16.9%	26.0%	18.6%	16.4%	19.2%	17.8%	17.3%

\* The Guidelines for Growth guidelines for discontinuing OB call for a 4 year planning horizon

Sources: Population, Tn. Dept. of Health (<http://health.state.tn.us/statistics/CertNeed.shtml>); TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles website; Income and poverty level, Census Bureau QuickFacts.



May 9, 2014

*Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243*

Re: Lakeway Regional Medical Center  
CON Application to Discontinue OB Services

Dear Ms. Hill:

I am the Chief Financial Officer for Lakeway Regional Medical Center. This will verify that the costs of this project will be funded out of the cash reserves of Hospital of Morristown, Inc., d/b/a Lakeway Regional Medical Center, and that such funds are available. Please let me know if additional information is needed. Thank you.

Sincerely,

Terri Warren, CFO

Attachment C, II, Economic Feasibility, 2



L A K E W A Y R H - N O R R I S T O W N , T N  
BALANCE SHEET : B-77  
AT

DECEMBER 31, 2013

0 1 1 6

DATE: 4/28/14  
TIME: 13:49:35

ASSETS

THIS MONTH

LAST MONTH

INCR/ (DECR)

Current Assets:

Cash and cash equivalents	\$ 20,582	\$ (33,638)	\$ 54,220
Patient accounts receivable	9,687,152	8,942,520	744,632
Less: Allowance for bad debts	(1,974,720)	(1,821,757)	(152,963)
Prior yr cat rpt settlement a/r	234,787	213,095	21,692
Supplies	2,103,852	2,081,077	22,775
Prepaid income taxes	00	00	00
Prepaid expenses	313,157	309,064	4,093
Other current assets	(1,428,618)	(1,429,071)	453
Total Current Assets	8,956,192	8,261,290	694,902

Property & Equipment, at cost:

Land and improvements	1,986,663	1,986,663	00
Buildings and improvements	30,419,380	30,417,110	2,270
Equipment and fixtures	20,897,892	20,769,156	128,736
Leasehold improvements	2,500	00	2,500
Construction in progress	136,118	105,396	30,722
	53,442,553	53,278,325	164,228

Less accumulated depreciation and amortization

	(35,548,893)	(35,347,194)	(201,699)
Net Property and Equipment	17,893,660	17,931,131	(37,471)

Long-term Asset Held-Disposal

	00	00	00
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Other Assets:

Prepaid rent	00	00	00
Notes receivable	00	00	00
Deposits	1,000	1,000	00
Other tangible assets	00	00	00
Investment in subs	00	00	00
Goodwill	00	00	00
Unamortized loan costs	00	00	00
Physician recruitment costs	422,654	431,390	(8,736)
Deferred MIS charges	2,034,039	1,587,292	446,747
Other deferred charges	16,104	17,628	(1,524)
Total Other Assets	2,473,797	2,037,310	436,487

Total Assets	\$ 29,323,649	\$ 28,229,731	\$ 1,093,918
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BALANCE SHEET : B-77  
AT  
DECEMBER 31, 2013

	THIS MONTH	LAST MONTH	INCR/ (DECR)
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Current maturities of	25,008	25,008	00
Long-term debt	3,329,153	1,288,009	2,041,144
Accounts payable	1,274,801	958,505	316,296
Accrued liabilities:	00	00	00
Employee compensation	103,929	250,805	(146,876)
Accrued interest	00	00	00
Other accrued liabilities	00	00	00
Income taxes payable	00	00	00
<b>Total Current liabilities</b>	<b>4,732,891</b>	<b>2,522,327</b>	<b>2,210,564</b>
<b>Long-term Debt</b>	<b>16,672</b>	<b>18,756</b>	<b>(2,084)</b>
<b>Deferred Income Taxes</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Deferred Credits and</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Other Long-term liabilities</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Intercompany Accounts</b>	<b>33,415,411</b>	<b>34,997,102</b>	<b>(1,581,691)</b>
<b>Minority Interest</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Total liabilities</b>	<b>\$ 38,164,974</b>	<b>\$ 37,538,185</b>	<b>\$ 626,789</b>
<b>Stockholders' Equity</b>			
Common stock	1,000	1,000	00
Additional paid-in capital	(12,672,935)	(12,672,935)	00
Retained earnings-prior year	8,724,918	8,724,918	00
Retained earnings-curr year	(4,894,308)	(5,361,437)	467,129
Treasury stock	00	00	00
Other	00	00	00
<b>Total Stockholders' Equity</b>	<b>(8,841,325)</b>	<b>(9,308,454)</b>	<b>467,129</b>
<b>Total liabilities and Equity</b>	<b>\$ 29,323,649</b>	<b>\$ 28,229,731</b>	<b>\$ 1,093,918</b>

L A K E V E A Y R M - M O R R I S T O W N , T N  
INCOME STATEMENT D-57  
FOR 12TH MONTH ENDED  
DECEMBER 31, 2013

U I I 6

DATE: 4/28/14  
TIME: 13:49:00

ACTUAL	BUDGET	PR. YR.	ACTUAL	BUDGET	PR. YR.
1,021	1,110	1,110	11,107	14,760	13,834
32.9	41.2	35.8	30.4	40.4	37.9
1,884,565	2,354,362	1,954,019	21,240,829	26,462,466	23,381,310
11,971,155	10,315,684	8,690,097	102,618,799	117,813,374	106,778,316
18,297,614	18,648,422	16,735,950	214,092,337	216,115,121	200,379,282
32,153,334	31,318,468	27,380,066	337,951,965	360,390,961	330,539,908
6,845,280	6,510,129	5,309,026	59,022,287	73,591,001	65,225,444
7,227,701	8,686,066	7,410,163	94,685,036	100,410,450	91,960,372
13,846,311	11,978,236	10,811,861	142,489,095	138,499,551	128,282,217
00	00	00	00	00	00
18,416	00	969	102,290	00	(1,098)
27,937,708	27,174,431	23,532,019	296,298,708	312,501,002	285,466,935
4,215,626	4,144,037	3,846,047	41,653,257	47,889,959	45,072,973
447,395	628,310	773,042	4,789,959	7,265,337	7,077,463
3,758,231	3,515,722	3,075,005	36,863,298	40,624,622	37,995,510
11,395	13,192	10,099	166,454	160,630	154,606
3,779,626	3,528,919	3,086,104	37,029,752	40,785,252	38,150,116
1,152,315	1,177,034	1,211,174	12,352,451	13,561,479	12,623,330
(27,399)	7,276,068	(60,405)	2,512,236	3,323,409	2,664,028
29,297	7,272	33,660	185,828	7,281,264	486,222
870,234	605,416	651,723	6,423,847	1,408,900	6,580,359
131,861	117,459	115,483	1,503,191	3,318,147	3,388,111
260,748	266,748	293,306	3,387,580	80,000	3,570,202
1,350	20,000	00	2,985	1,009,425	1,031,786
133,388	83,039	79,975	1,111,626	144,232	1,031,786
2,746	6,095	19,743	112,828	626,755	630,333
62,298	52,230	59,577	635,907	591,870	541,067
47,037	48,986	18,299	586,107	3,840,490	3,541,245
4,160	330,041	00	3,453,505	(399,500)	07
00	00	00	(403,466)	00	00
2,667,685	2,980,388	2,462,764	32,073,615	34,794,707	32,962,399
1,111,941	548,531	622,340	4,956,137	5,990,545	5,187,717
62,822	102,146	65,387	1,017,009	1,225,751	943,104
1,049,119	446,385	556,953	3,939,128	4,764,794	4,244,613
238,754	281,107	216,125	2,747,137	3,189,881	2,575,697
810,365	155,278	340,228	1,191,991	1,574,913	1,668,916
412,070	357,571	387,941	4,719,151	4,290,920	4,398,085
00	00	00	00	00	00
00	00	00	00	00	00
398,289	(172,299)	(47,713)	(3,527,160)	(2,716,007)	(2,729,169)
(56,836)	148,356	67,096	1,367,148	1,186,848	1,549,312
629	628	580	7,220	7,596	6,967
226	288	281	2,607	3,443	3,264
18	27	26	43,586	52,890	51,298
3,213	4,377	4,054	18,211	15,863	15,501
1,391	1,348	1,383			
44,686	47,603	45,156	530,611	562,105	535,819
389	125	488	2,847	1,502	1,393
45,075	47,728	45,646	533,658	563,807	539,212
254,66	269,65	257,89	256,20	270,67	258,91

TOTAL PATIENT DUES BY PAYOR  
AVERAGE DAILY CHARGES  
Patient Revenue:  
Inpatient Revenue:  
Outpatient Revenue  
Total Patient Revenue  
Deductions From Revenue:  
I/E - M/M Contractual  
O/P - M/M Contractual  
Other Contractual Adj.  
Prior Year Adjustments  
Courtesy Discounts  
Total Deductions From Revenue  
Net Pt Rev Before Bad Dbt  
Provision for Bad Dbt  
Net Pt Rev After Bad Dbt  
Other Revenue  
Net Revenue  
Operating Expenses:  
Salaries & Wages  
Benefits  
Contract Labor  
Supplies  
Medical Spec Fees  
Purchased Services  
Physician Recruiting  
Repairs & Maintenance  
Marketing  
Utilities  
Other Operating Exp  
Prop Taxes & Ins  
HITCCR Incentives  
Equity & Earn - Union Subs  
Total Operating Expenses  
Operating Margin  
Rent  
E.B.I.T.D.A.  
Depreciation and Amortization  
E.B.I.T.  
Interest  
Impairment - Long lived assets  
Loss on early exit of debt  
Minority Interest  
Pre-Tax Profit  
Corp Kmg Rate Base  
TOTAL SURGERIES  
TOTAL EXAMINATIONS  
TOTAL DELIVERIES  
TOTAL O/P REVS INCL ALL VISITS  
TOTAL E.R. VISITS  
TOTAL CLINIC AND REC VISITS  
TOTAL HOME HEALTH VISITS  
TOTAL PAID Hours  
Total Contract Hours  
Total Paid & Contract Hours  
TOTAL PAID & CONTRACT YRS'S

## Lakeway Regional Hospital Health Care Contracts

Schumacher Group	Emergency Medicine
Apogee	Hospitalist
Lakeway Anesthesia	Anesthesia
East TN Childrens Hospital	Patient Transfer
MHHS	Patient Transfer
AEL- Memphis Pathology Laboratories	Pathology
TN Donor Services	Organ Procurement or Harvesting
Vista Radiology	Radiology-Imaging

# Board for Licensing Health Care Facilities



State of Tennessee

## DEPARTMENT OF HEALTH

0000000072

No. of Beds 0135

*This is to certify, that a license is hereby granted by the State Department of Health to*

*to conduct and maintain a*

HOSPITAL OF MORRISTOWN, INC.

*Hospital*

LAKEWAY REGIONAL HOSPITAL

*Located at*

726 MCFARLAND STREET, MORRISTOWN

*County of*

HAMBLETON

*Tennessee.*

*This license shall expire* JUNE 18, 2014, *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

*In Witness Whereof, we have hereunto set our hand and seal of the State this* 18TH *day of* JUNE, 2013.

GENERAL HOSPITAL  
PEDIATRIC PRIMARY HOSPITAL

*In the Distinct Category(ies) of:*



*By*

*Theresa J. Davis, MPH*

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

*By*

*John J. Dwyer*

COMMISSIONER

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)
H 513	<p>1200-8-1-.05 (8)(f) Admissions, Discharges and Transfers</p> <p>(8) The hospital must ensure continuity of care and provide an effective discharge planning process that applies to all patients. The hospital's discharge planning process, including discharge policies and procedures, must be specified in writing and must:</p> <p>(f) Be completed on a timely basis to allow for arrangement of post-hospital care and to avoid unnecessary delays in discharge;</p> <p>This Statute is not met as evidenced by: Based on medical record review and interview, the facility failed to ensure a timely transfer to another hospital for one (#13) of 17 patients reviewed.</p> <p>The findings included:</p> <p>Medical record review of patient #13 revealed the patient presented to the ED (Emergency Department) on January 9, 2007, at 11:33 a.m., with diagnoses to include Fever and Right Ear Ache. Continued review revealed the patient had a temperature of 102.8, heart rate of 200, pain intensity scale = 10/10, crying, and elevated white blood cell count of 21.5 (normal 6.4 - 15.0 x 1000). Continued medical record review revealed an order to transfer the patient to another hospital at 2:20 p.m.; the EMS (Emergency Medical Services) was notified of the need for transport via ambulance at 3:40 p.m.; the EMS was contacted again of the need for transport at 7:20 p.m.; and the patient transport to the receiving hospital began at 9:00 p.m. Interview, in the conference room, with the Chief Nursing Officer, on October 11, 2007, at 10:20 a.m., confirmed</p>		H 513	

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

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If continuation sheet 1 of 5

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>	
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H 513	Continued From page 1  the transfer was not timely.	H 513	
H 649	1200-8-1-.06 (3)(j)4. Basic Hospital Functions  (3) Infection Control.  (j) The central sterile supply area(s) shall be supervised by an employee, qualified by education and/or experience with a basic knowledge of bacteriology and sterilization principles, who is responsible for developing and implementing written policies and procedures for the daily operation of the central sterile supply area, including:  4. Provisions for maintenance of package integrity and designation of event-related shelf life for hospital-sterilized and commercially prepared supplies;  This Statute is not met as evidenced by: Based on observation, review of manufacturer's recommendations, and interview, the facility failed to follow the manufacturer's recommendations for the storage of intravenous and irrigation fluids.  The findings included:  Observation, on October 10, 2007, at 10:15 a.m., with the Chief Nursing Officer, of the warmer located in the sterile processing area of the Cesarean Section (C-Section) operating suite, revealed 28 undated containers of 1000 ml fluids each. Review of the manufacturer's recommendation of fluids held in a warmer revealed, "...store at room temperature (25 degrees centigrade); however, brief exposure (up	H 649	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
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H 649	Continued From page 2  to 4 weeks) at 40 degrees centigrade does not adversely affect the product ..." Interview, on October 10, 2007, at 10:15 a.m., with the Chief Nursing Officer, in the sterile processing area of the C-Section operating suite, confirmed the fluids were not dated as to when they had been placed in the warmer.		H 649	
H 683	1200-8-1-.06 (4)(j) Basic Hospital Functions  (4) Nursing Services.  (j) All drugs, devices and related materials must be administered by, or under the supervision of, nursing or other personnel in accordance with federal and state laws and regulations, including applicable licensing requirements, and in accordance with the approved medical staff policies and procedures.  This Statute is not met as evidenced by: Based on observation and interview, the facility failed to assure medications were secured on the Anesthesia medication cart in the Cesarean Section delivery suite.  The findings included:  Observation, with the Chief Nursing Officer, of the Anesthesia medication cart, located in the unlocked Cesarean Section (C-Section) delivery suite, available to non licensed personnel and non staff members, on October 10, 2007, at 9:30 a.m., revealed the cart to be unlocked. Continued observation revealed a total of 132 medications of the following classifications of medications not secured: paralytic agent, local anesthetics, analgesics, and other drugs used		H 683	



STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 683	Continued From page 3  during surgery for emergency purposes. Continued observation revealed four pre-filled syringes of medication; one of which had no identifying information concerning dosage of the medication in syringe. Interview, in the C-Section suite, with the Chief Nursing Officer, on October 10, 2007, at 9:30 a.m., confirmed the medications were not secured.		H 683	
H 706	1200-8-1-.06 (5)(k)8. Basic Hospital Functions  (5) Medical Records.  (k) All records must document the following:  8. Final diagnosis with completion of medical records within thirty (30) days following discharge.   This Statute is not met as evidenced by: Based on medical record review, policy review, and interview, the facility failed to assure a discharge summary was completed within thirty days for one of seven closed charts reviewed.  The findings included:  Patient #17 was admitted to the hospital on April 17, 2007, and underwent a Total Knee Arthroplasty and was discharged on April 20, 2007. Medical record review revealed the discharge summary was dictated on September 11, 2007, (143 days after discharge). Review of the Medical Record Documentation Requirements policy revealed discharge summaries "must be completed upon discharge or death as soon as possible, but no later than 30 days after discharge or death." Interview with the		H 706	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/11/2007</b>
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NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>	STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>
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H 706 Continued From page 4

H 706

Director of Quality Management/Regulatory  
Compliance in the conference room on October  
11, 2007, at 11:10 a.m., confirmed the facility  
failed to have the discharge summary on the  
medical record within the required thirty days.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
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H 872	<p>1200-8-1-.08 (2) Building Standards</p> <p>(2) The condition of the physical plant and the overall hospital environment must be developed and maintained in such a manner that the safety and well-being of patients are assured.</p> <p>This Statute is not met as evidenced by: Item #1 Based on observation and interview, the facility failed to assure corridor doors closed to a positive latch.</p> <p>The findings include:</p> <p>Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed the following corridor doors failed to close to a positive latch:</p> <ol style="list-style-type: none"> <li>1) Soiled utility room near Emergency Department ambulance entrance</li> <li>2) Soiled utility room near the Emergency Department nurses station</li> <li>3) Female locker room on 2nd floor OB unit</li> <li>4) 1st Floor exit door to MRI</li> <li>5) 1st Floor housekeeping laundry room</li> <li>6) 1st Floor janitor 's closet adjacent to the housekeeping office</li> </ol> <p>Item #2 Based on observation and interview, the facility failed to assure the sprinkler system was not used to support non-system components. (NFPA 13, 9-1.1.7)</p> <p>The findings include:</p> <p>Observation and interview with the Director of</p>	H 872		

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

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If continuation sheet 1 of 5

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
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H 872	Continued From page 1  Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed wiring above the lay in ceiling was supported by sprinkler piping in central receiving area and the 1st floor elevator equipment room. Observation and interview further revealed sprinkler piping in the mechanical room behind the rehab gym was used to support a fluorescent light fixture and sprinkler piping in the corridor outside the basement elevator equipment room had a hanger support attached to the nitrous oxide medical gas piping.  Item #3 Based on observation and interview, the facility failed to assure smoke detectors were located no less than three feet from a HVAC air supply.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 at 10:15 a.m. confirmed a smoke detector in the outpatient rehabilitation therapy area was located within one foot from an air supply.  Item #4 Based on observation and interview, the facility failed to assure one (1) hour fire rated construction is maintained.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed unsealed penetrations in the following areas:	H 872		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____		(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>LAKEWAY REGIONAL HOSPITAL</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>726 MCFARLAND ST MORRISTOWN, TN 37814</b>		
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H 872	Continued From page 2  1) Lab/purchasing area mechanical room around sprinkler piping 2) Basement mechanical room above the MSB-1 main switchboard electrical panel 3) Communications/storage room adjacent to the basement mechanical room around metal conduit 4) X-ray room # 3 above lay-in ceiling with one side of gypsum board removed in two square foot area  Item #5 Based on observation, interview, and record review, the facility failed to assure the fire rated construction of a vertical chase is maintained.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 at 3:45 p.m. confirmed a two foot by three foot unprotected opening in the vertical chase on the second story, in the medical/ surgical unit across from room #140. Record review of building construction drawings dated 1991 did not indicate any opening in the vertical shaft on the second story.  Item #6 Based on observation and interview, the facility failed to provide a 90 minute fire rated door assembly to a two (2) hour fire rated enclosure.  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed the doors to two of		H 872		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
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			(X5) COMPLETE DATE	
H 872	Continued From page 3  two basement elevator equipment rooms had been modified with the installation of a louvered grill opening.  Item #7 Based on observation and interview, the facility failed to maintain the condition of the physical plant and the overall hospital environment in such a manner to ensure the safety and well-being of patients.  The findings include:  Observation and interview with the Maintenance Assistant and Risk Manager in the corridor, on October 10, 2007, at 10:30 a.m., confirmed the corridor in front of the Emergency Department ambulance entrance was obstructed by a 30 inch high volume fan in order to supplement area ventilation. Observation and interview further confirmed the fan ' s electrical cord was lying across the threshold under the door to an adjacent storage room		H 872	
H 893	1200-8-1-.08 (23) Building Standards  (23) A negative air pressure shall be maintained in the soiled utility area, toilet room, janitor ' s closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms.  This Statute is not met as evidenced by: Based on observation and interview, the facility failed to assure soiled spaces were maintained under a relative negative air pressure.		H 893	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53172</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - LAKEWAY REGIONAL HO</b> B. WING _____	(X3) DATE SURVEY COMPLETED  <b>10/10/2007</b>
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H 893	Continued From page 4  The findings include:  Observation and interview with the Director of Plant Operations and Risk Manager in the corridor, on October 10, 2007 between 10:00 a.m. and 4:00 p.m. confirmed the following areas were not provided under a negative pressure:  1) Endoscopy Center janitor ' s closet 2) Endoscopy Center soiled utility room	H 893		

**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

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ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
H 513	1200-8-1-.05(8)(f) Admissions, Discharges and Transfers	<p>The Emergency Department Nurse Manager was notified of the delay in transfer of this patient during the survey, and was involved in discussion regarding the transfer process in this case. The EMS was contacted x 2 during the patient's stay – at 3:40 p.m. and 7:20 p.m. – for transfer of the involved patient. EMS finally arrived at the facility at 9:00 p.m. Ultimately, patient transfers depend on the availability of the EMS to provide transport.</p> <ol style="list-style-type: none"> <li>1) Therefore, the Emergency Department Nurse Manager has instructed her nursing staff to call EMS every hour for transport until EMS arrives at the facility to transport the patient. The Emergency Department Nurse Manager will generate a memorandum to the Emergency Department Nursing Staff regarding this process, and will remind them of the importance of timely patient discharges / transfers, in order to ensure continuity of care for patients. She will also reinforce this in her next departmental staff meeting.</li> <li>2) The Emergency Department Nurse Manager will inform the Emergency Department Medical Director of the delay in transfer of this patient.</li> <li>3) The Emergency Department Medical Director will inform the Emergency Department physicians during the next scheduled ED physicians meeting of the delay in transfer of this patient – and of the importance of timely patient discharges / transfers.</li> <li>4) Monitoring of timeliness of patient transfers will be done by the Emergency Department Nurse Manager on a weekly basis for 2 months, then on a monthly basis for 3 months. Monitoring results – to include overall transfer timeliness, any specific cases with transfer delays, any barriers to timely transfers, and actions taken to improve timeliness of patient transfers – will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of Trustees.</li> </ol>	<p>Instruction: 10/25/07</p> <p>Memo: 10/26/07</p> <p>Staff meeting: November 2007</p> <p>Completed 10/22/07</p> <p>Completed 10/23/07</p> <p>Monitoring and reporting to begin in November 2007</p>
H 649	1200-8-1-.06(3)(j)4. Basic Hospital Functions	<ol style="list-style-type: none"> <li>1) The manufacturer's recommendations for storage stability of warmed IV/irrigation fluids were obtained during the survey, and were noted by the Pharmacy Director and Chief Nursing Officer.</li> </ol>	Completed during the survey.



**Lakeway Regional Hospital  
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ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
		<p>2) It was decided that IV/irrigation fluids placed into warmers would need to be dated / initialed in order to confirm when they had been placed in the warmer. Staff members were instructed on this process and started this process in the Women's Pavilion on 10/10/07.</p> <p>3) A poster will be placed near the warmer in the Women's Pavilion to serve as a visual reminder of the requirement to date and initial IV/irrigation fluids prior to placing them in the warmer.</p> <p>4) A monitoring process will be developed by the Women's Pavilion Nurse Manager – to assess IV/irrigation bags in the warmer for dates / initials, to ensure all bags are discarded within 28 days of when they were placed in the warmer.</p> <p>5) The Women's Pavilion Nurse Manager will do weekly checks for 2 months, then monthly checks for 3 months, to ensure that IV/irrigation bags in the warmer have been dated/initialed. Monitoring results will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of Trustees.</p>	<p>Completed during the survey.</p> <p>10/26/07</p> <p>10/31/07</p> <p>Monitoring and reporting to begin in November 2007</p>
H 683	1200-8-1-.06(4)(j) Basic Hospital Functions	<p>1) The Anesthesia medication cart in the Cesarean Section delivery suite was locked during the survey, and the lead CRNA was notified of the unlocked cart and the incompletely labeled syringe, during the survey. The lead CRNA addressed the issue of the unlocked cart and pre-filled syringe without medication dosage with the CRNA staff during the survey.</p> <p>2) The Women's Pavilion Nurse Manager will develop a monitoring process to assess whether Anesthesia carts are locked – and if pre-filled syringes are completely labeled. The lead CRNA will be notified when any unsecured cart or any syringe is incompletely labeled. Disciplinary action will be taken for any continued non-compliance by CRNA staff.</p> <p>3) The Women's Pavilion Nurse Manager will perform the above-noted checks on a weekly basis for 2 months, then monthly for 3 months. Monitoring results will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of</p>	<p>Completed during the survey.</p> <p>10/31/07</p> <p>Monitoring and reporting to begin in November 2007</p>

**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
		Trustees.	
H 706	1200-8-1-.06 (5)(k) 8 Basic Hospital Functions	<ol style="list-style-type: none"> <li>1) The Health Information Management Director was notified of the deficiency during the survey.</li> <li>2) This issue was discussed with the Medical Executive Committee on 10/22/07. The Medical Executive Committee recommended issuing a memorandum to the Medical Staff reminding them of the requirements for medical record completion per the Medical Staff Bylaws/Rules &amp; Regulations. The Chief of Staff will issue this memorandum.</li> <li>3) Discharge summary completion is currently monitored monthly by the Health Information Management Department. Delinquent medical records percentages are reported to the Medical Executive Committee on a monthly basis. The 3<sup>rd</sup> quarter 2007 medical record delinquency rate for the facility was 8.91%. Physicians with delinquent medical records are suspended according to the Medical Staff Bylaws/Rules &amp; Regulations.</li> <li>4) In order to further improve physician compliance regarding medical record completion, the Health Information Management Director will submit a weekly list of incomplete discharge summaries to each physician.</li> <li>5) The Health Information Management Director will continue to monitor and report physician compliance with completing discharge summaries within 30 days of discharge on a monthly basis. Monitoring results will be reported to the hospital Administrative Team, Quality Improvement Council, Medical Executive Committee, and the Board of Trustees.</li> </ol>	<p>Completed during the survey.</p> <p>Memo: 10/29/07</p> <p>On-going</p> <p>To begin 10/31/07</p> <p>Monitoring and reporting to begin in November 2007</p>
H 872	1200-8-1-.08(2) Building Standards  <i>Item #1</i>  Corridor doors did not close to a positive latch. 1) Soiled utility room near Emergency Department	All door closers have been adjusted so that corridor doors close to a positive latch.	Completed 10/20/07

**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
	ambulance entrance 2) Soiled utility room near the Emergency department nurses station 3) Female locker room on 2 <sup>nd</sup> floor OB unit 4) 1 <sup>st</sup> floor exit door to MRI 5) 1 <sup>st</sup> floor housekeeping laundry room 6) 1 <sup>st</sup> floor janitor's closet adjacent to the housekeeping office		
	<i>Item #2</i>  The sprinkler system was used to support non-system components: 1) Wiring above the lay-in ceiling was supported by sprinkler piping in central receiving area and the 1 <sup>st</sup> floor elevator equipment room 2) Sprinkler piping in the mechanical room behind the rehab gym was used to support a fluorescent light fixture 3) Sprinkler piping outside the basement elevator equipment room had a hanger support attached to the nitrous oxide medical gas piping	Non-system components have been separated from the sprinkler piping.	Completed 10/21/07
	<i>Item #3</i>  Smoke detector in the outpatient rehabilitation therapy area was located within one foot from an air supply.	Will relocate smoke detector.	11/05/07
	<i>Item #4</i>  Unsealed penetrations noted in the following areas: 1) Lab/purchasing area	Penetrations have been sealed.	Completed 10/21/07

**Lakeway Regional Hospital  
Plan of Correction  
State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
	<p>mechanical room around sprinkler piping</p> <p>2) Basement mechanical room above the MSB-1 main switchboard electrical panel</p> <p>3) Communications/storage room adjacent to the basement mechanical room around metal conduit</p> <p>4) X-ray room #3 above lay-in ceiling with one side of gypsum board removed in two square foot area</p>		
	<p><i>Item #5</i></p> <p>2ft x 3ft unprotected opening in the vertical chase on the second story, in the Medical/Surgical unit across from room #140. Record review of building construction drawings dated 1991 did not indicate any opening in the vertical shaft on the second story.</p>	<p>A mechanical contractor has been contacted to visit the facility and provide a quote for resolution of this issue. The visit to provide the quote is scheduled for the week of 10/29/07. Two possible resolutions for the issue are being considered.</p> <p>Target date for resolution of this issue will be able to be decided upon when the contractor has visited the facility and provided the needed information. The construction which will be needed to remedy this issue is expected to be a capital expenditure.</p>	<p>An extension date is requested - to February 1, 2008, due to large project scope and high cost.</p>
	<p><i>Item #6</i></p> <p>The doors to two of two basement elevator equipment rooms had been modified with the installation of a louvered grill opening.</p>	<p>New doors will be ordered and installed.</p>	<p>An extension date is requested – to December 31, 2007, due to manufacturing and shipment timeframes.</p>
	<p><i>Item #7</i></p> <p>The corridor in front of the Emergency Department ambulance entrance was obstructed by a 30 inch high volume fan in order to</p>	<p>The fan has been removed from the ED entrance and from the facility. ED staff have been instructed that corridors must be kept clear. The Director of Engineering will do random surveys of the ED to ensure ambulance entrances are not obstructed.</p>	<p>Completed 10/18/07</p>

**Lakeway Regional Hospital**  
**Plan of Correction**  
**State Licensure Survey 10/10-10/11/07**

ID Prefix Tag	Summary Statement of Deficiencies	Provider's Plan of Correction	Complete Date
	<p>supplement area ventilation. Observation and interview further confirmed the fan's electrical cord was lying across the threshold under the door to an adjacent storage room.</p>		
H 893	<p>1200-8-1-.08(23) Building Standards</p> <p>Soiled spaces were not maintained under a negative air pressure.</p> <ol style="list-style-type: none"> <li>1) Endoscopy Center janitor's closet</li> <li>2) Endoscopy Center soiled utility room</li> </ol>	<p>Air supply has been adjusted to create negative pressure in these areas.</p>	<p>Completed 10/19/07</p>

**AFFIDAVIT**

MAY 14 14 PM 12:27

STATE OF TENNESSEE

COUNTY OF HAMBLLEN

Clyde Wood, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Clyde Wood  
SIGNATURE

CHIEF EXECUTIVE OFFICER  
TITLE

Sworn to and subscribed before me this 9th day of May 2014 a Notary Public in and for Hamblen County, Tennessee.

Candy Lamb  
NOTARY PUBLIC

My commission expires 01-17-18





77844  
10 AUG 2014

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Citizen Tribune, which is a newspaper of general circulation in Hamblen County, Tennessee, on or before May 9, 2014 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Lakeway Regional Hospital, owned and managed by Hospital of Morristown, Inc., intends to file an application for a Certificate of Need for authorization to discontinue its obstetrical service. The 16 obstetrical beds will be re-distributed to the general medical-surgical bed complement. Lakeway Regional Hospital is located at 726 McFarland Street, Morristown, Tennessee 37814. Lakeway Regional Hospital is licensed as a general hospital by the Tennessee Board for Licensing Health Care Facilities. The number of licensed hospital beds (135) will not change as a result of this proposal. No major medical equipment is involved in this project. The estimated project cost is \$33,000.00.

The anticipated date of filing the application is May 14, 2014.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites & Harbison, PLLC, SunTrust Plaza, Suite 800, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228, [jerry.taylor@stites.com](mailto:jerry.taylor@stites.com).

Signature

Date

=====

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====

# **SUPPLEMENTAL - #1 -Original-**

**Lakeway Regional Hospital  
Discontinuance of Obstetrical  
Services**

**CN1405-013**



**May 23, 2014**

**2:46 pm**

**SUPPLEMENTAL RESPONSES**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**LAKEWAY REGIONAL HOSPITAL**

**Discontinuance of Inpatient Obstetrical Services**

**Project No. CN1405-013**

**Hamblen County, Tennessee**

**May 23, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**1. Section A, Item 3 (Owner)**

**The ownership relationship to Community Health Systems, Inc. (CHS) is noted. Please discuss the proposed organizational and business relationships among these entities in such a manner that their affiliation with the project can be understood. An organization chart will be helpful.**

Community Health Systems, Inc. is a publicly traded company. Through its various affiliated entities CHS owns, operates or leases 20 hospitals in Tennessee. Each CHS hospital is operationally independent, with certain administrative support services supplied by CHS and its affiliates. An organizational chart for CHS and its Tennessee affiliates is attached following this response. This chart does not reflect the ownership of 8 hospital formerly owned by Health Management Associates (HMA), which CHS recently acquired. An organizational chart including those hospitals is not available.

**Please provide a list of hospitals and other licensed providers in Tennessee that are affiliated with the applicant through ownership by CHS or its subsidiaries. Have OB services been discontinued at any hospital owned by the parent company? How many of the hospitals owned by the parent company now offer OB services? Have OB services been discontinued in the past by the applicant's parent company but restarted or added later as availability of medical/nursing staff and financial conditions improved?**

A list of all CHS-affiliated licensed facilities located in Tennessee (including the former HMA facilities) is attached following this response. The following CHS-affiliated Tennessee hospitals offer inpatient OB services:

Physicians Regional M. C. (formerly Tennova/St. Mary's Main Campus) – Knoxville  
Turkey Creek Medical Center – Knoxville  
Newport Medical Center – Newport  
Skyridge Medical Center – Cleveland  
Gateway Medical Center – Clarksville  
Dyersburg Regional Medical Center – Dyersburg  
Regional Medical Center of Jackson – Jackson  
Volunteer Medical Center – Martin  
McKenzie Regional Medical Center – McKenzie  
University Medical Center – Lebanon  
McNairy Regional Medical Center – Selmer  
Harton Medical Center – Tullahoma

The following CHS hospitals have formally discontinued OB services:

LaFollette Medical Center in 1984 (84-CN-743)  
Jefferson Memorial Hospital in 2008 (CN0401-003A)  
Jamestown Regional Medical Center in 2010 (CN1004-017A)

To the best of the applicant's knowledge, none of the CHS-affiliated Tennessee hospitals have ever discontinued OB services and subsequently reinstated them.

**SUPPLEMENTAL #1****May 23, 2014****2:46 pm****LICENSED TENNESSEE FACILITIES AFFILIATED WITH COMMUNITY HEALTH SYSTEMS**

<b>Operating Name</b>	<b>Type of Facility</b>
Dyersburg Regional Medical Center	Hospital
Gateway Medical Center	Hospital
Harton Regional Medical Center	Hospital
Haywood Park Community Hospital	Hospital
Henderson County Community Hospital	Hospital
Heritage Medical Center	Hospital
Jamestown Regional Medical Center	Hospital
Lakeway Regional Hospital	Hospital
McKenzie Regional Hospital	Hospital
McNairy Regional Hospital	Hospital
Regional Hospital of Jackson	Hospital
SkyRidge Medical Center	Hospital
Temnova Healthcare – Jefferson Memorial Hospital	Hospital
Temnova Healthcare – LaFollette Medical Center	Hospital
Temnova Healthcare – Newport Medical Center	Hospital
Temnova Healthcare – North Knoxville Medical Center	Hospital
Temnova Healthcare – Physicians Regional Medical Center	Hospital
Temnova Healthcare – Turkey Creek Medical Center	Hospital
University Medical Center; University Medical Center – McFarland Specialty Hospital	Hospital
Volunteer Community Hospital	Hospital
Clarksville Endoscopy Center	ASC
Riverside Surgery Center	ASC

**SUPPLEMENTAL #1****May 23, 2014****2:46 pm**

Operating Name	Type of Facility
St. Mary's ASC	ASC
Tennova Surgery Center	ASC
Lebanon Surgical Center	ASC
Family Home Care and Hospice, Cleveland	HHA, Hospice
Gateway Home Health and Hospice	HHA, Hospice
Heritage Home Health	HHA
Regional Home Care, Dyersburg	HHA
Regional Home Care, Jackson; Regional Home Care, Selmer; Regional Home Care, Brownsville; Regional Home Care, Martin	HHA
Regional Home Care, Lexington; Regional Home Care, McKenzie	HHA
Tennova Homcare, DME & Hospice	HHA, Hospice, HME Supplier
Tennova LaFollette Health and Rehab Center	Nursing Home
Tennova Newport Convalescent Center	Nursing Home
Clarksville Imaging Center	ODC

May 23, 2014

2:46 pm

## COMMUNITY HEALTH SYSTEMS, INC. TENNESSEE (Page 1 of 2)

CHS HOLDINGS CORP.

HALMARK HOLDINGS CORP.

Polk Medical Services, Inc. (TN)  
No. 96  
Cleveland/Farrin ambulance service contract co.

East Tennessee Health Systems, Inc. (TN)  
No. 3  
Scott County Hospital  
*d/b/a: Scott County Hospital*

Scott County Medical Clinic, Inc. (TN)  
No. 25  
Scott County physician clinic  
*d/b/a: Scott County Imaging Center (TN); McCrory Doctor's Medical Clinic (TX)*

Sparta Hospital Corporation (TN)  
No. 67  
White County Community Hospital  
*d/b/a: White County Community Hospital*

White County Physician Services, Inc.  
No. 93  
White County physician clinic  
*d/b/a: White County Medical Associates  
White County Internal Medicine  
White County Women's Healthcare*

Lakeway Hospital Corporation (TN)  
No. 33  
syndicated holding company

Hospital of Morristown, Inc. (TN)  
No. 20  
Lakeway Regional Hospital  
*d/b/a: Lakeway Regional Hospital  
Morristown Professional Building*

Morristown Clinic Corp. (TN)  
No. 81  
Lakeway physician corp.  
*d/b/a: East Tennessee On-Call*

Lakeway Clinic Corp. (TN)  
No. 83  
Lakeway physician clinic  
*d/b/a: Lakeway Primary Care Clinic  
Women's Imaging Center*

Morristown Professional Centers, Inc. (TN)  
No. 79  
real estate holding company

Cleveland Hospital Corporation (TN)  
No. 72  
syndicated holding company

National Healthcare of Cleveland, Inc. (DE)  
No. 50  
Cleveland Community Hospital  
*d/b/a: Cleveland Community Hospital*  
Family Home Care, Inc. (TN)  
No. 102  
*stock purchased 8/14/96; no employees*

Cleveland PHO, Inc. (TN)  
No. 124  
Cleveland physician hospital organization

Cleveland Medical Clinic, Inc. (TN)  
No. 70  
Cleveland physician clinic  
*d/b/a: Physicians Plus  
Westside Family Physicians  
Cleveland Medical Group  
Westside Surgical Associates*

Lakeway Primary Care, Inc. (TN)  
No. 121  
Lakeway physician clinic

East Tennessee Clinic Corp. (TN)  
No. 87  
Lakeway physician corp.

Bean Station Medical Center, LLC (TN)  
No. 84

*50% JV with Cherokee Health Systems, Inc.  
d/b/a: Family Health Center in Bean Station, TN*

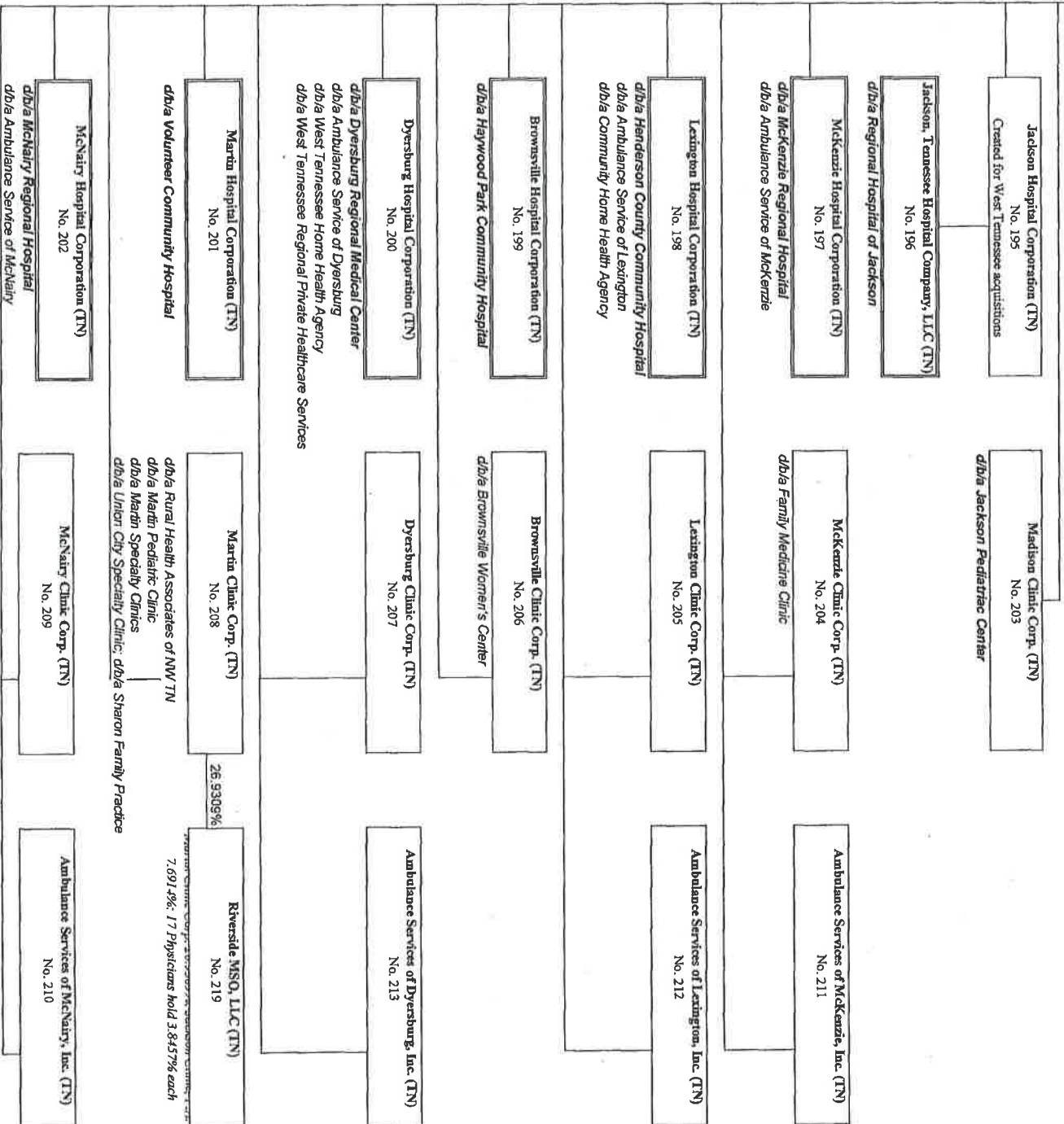
Senior Circle Association (TN)  
No. 138  
not-for-profit Service Organization for Seniors

May 23, 2014

2:46 pm

## COMMUNITY HEALTH SYSTEMS, INC. TENNESSEE (Page 2 of 2)

CHS HOLDINGS CORP.



**2. Section B, Project Description, Items II.B and II.C.**

**Your responses are noted. Please discuss plans to place the additional 16 beds in use on the hospital's medical/surgical service. In your discussion, please identify the number of Med/Surg staffed beds in Year 1 and Year 2 (currently 55 of 70 licensed). According to the acute care bed need data maintained by the Department of Health, Hamblen County had a licensed bed surplus of 141 beds in 2012. If there are no plans to use the 16 vacated OB beds anytime in the foreseeable future, was decreasing the applicant's licensed bed complement considered as a part of the proposal? Please clarify.**

Given the current layout and structure of our Med/Surg floor, the vast majority of the patient rooms at Lakeway Regional are semi-private rooms. Of the total licensed med/surg bed count of 70, there are only 5 rooms that are classified as private rooms. With the use of OB beds as Med/Surg overflow it will allow for more private rooms, providing more patient choice. Maintaining the existing patient bed count will allow Lakeway Regional to be prepared for any future growth needs in the med/surg units.

**Given the human resources, physician recruitment, and marketing resources available to CHS, Inc., please discuss in detail actions taken to recruit and retain delivering physicians, pediatricians and OB nurses (number of recruited, retained and leaving by year) to sustain and grow the obstetrical program over the past two years.**

There are currently 6 OB providers practicing in Morristown. 4 of these providers are employed by MHHS and cannot have staff privileges at Lakeway Regional. The other 2 OB providers are independent practitioners in the community. Of these 2 OB providers, one is on staff at both Lakeway Regional and MHHS, and the other has privileges only at Lakeway Regional. In 2012, based on JAR data, there were 1,124 deliveries in Morristown with the 2 hospitals combined. If all OB providers were equally active, this equates to only 16 deliveries per month per provider. Based on the volume of deliveries and demographics it is very difficult for any additional delivering physicians to sustain a practice. This makes recruitment of additional delivering physicians very difficult and impractical. Furthermore, there are roughly 9 providers in the community that cover nursery call, with the majority having active staff at MHHS. Again, the volume and the existing physician coverage makes recruitment and retention of pediatricians impractical as well.

Lakeway Regional recruited and contracted with an OB/GYN in 2011, who left after that agreement ended in July of 2012. Based on overall community coverage and available providers in the market, additional recruitment efforts were not feasible as available patient load was low and was already covered.

**3. Section B, Project Description, Item IV (Floor Plan)**

**Given the plans to redistribute the 16 OB beds to Med/Surg service, floor plans for the Med/Surg service patient unit(s) identifying their location in the hospital may be helpful. Please include floor plans for Med/Surg that reflect the redistribution of the 16 beds.**



**May 23, 2014**

**2:46 pm**

The 16 beds will remain in the unit which is now the OB unit. No renovation or construction is necessary to make this a med/surg unit. All med./surg beds will remain where they are now located in the facility.

A floor plan for the current OB unit was provided as Attachment B, IV to the original application. If and when this is used as a med/surg unit, the floor plan will remain the same. Attached following this response is a floor plan for the entire hospital. We have made every effort to make this as legible as possible. Since no construction or renovation is being done, the applicant felt there was no need to have new architectural drawings prepared. The floor plan from which the attached floor plan is taken is too large to submit (approximately 16" x 30").

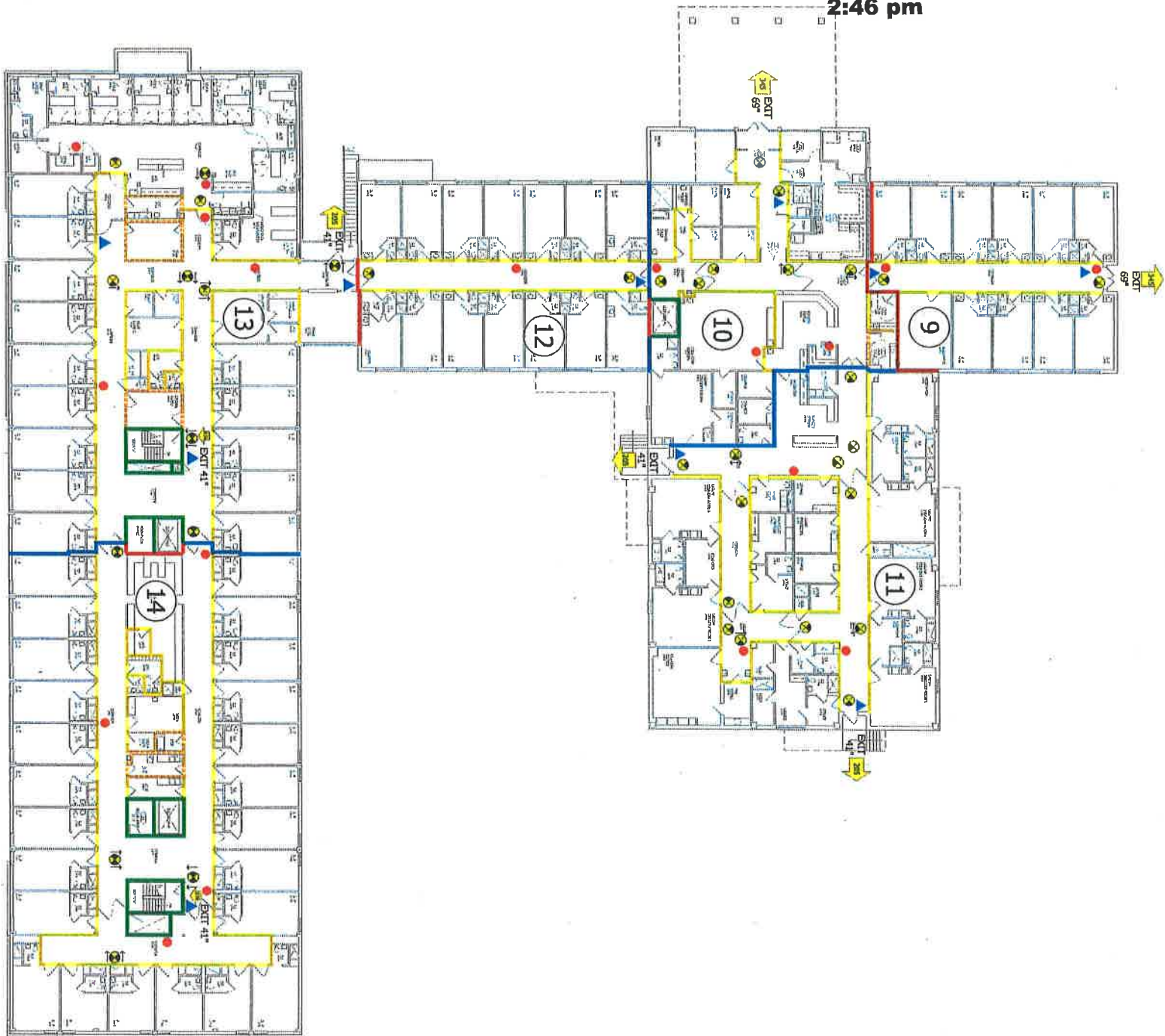
A second floor plan which just shows the current me/surg unit is also attached. This one is obviously not legible, but it has the bed numbers written in for the reviewer's use.



# **SUPPLEMENTAL #1**

**May 23, 2014**

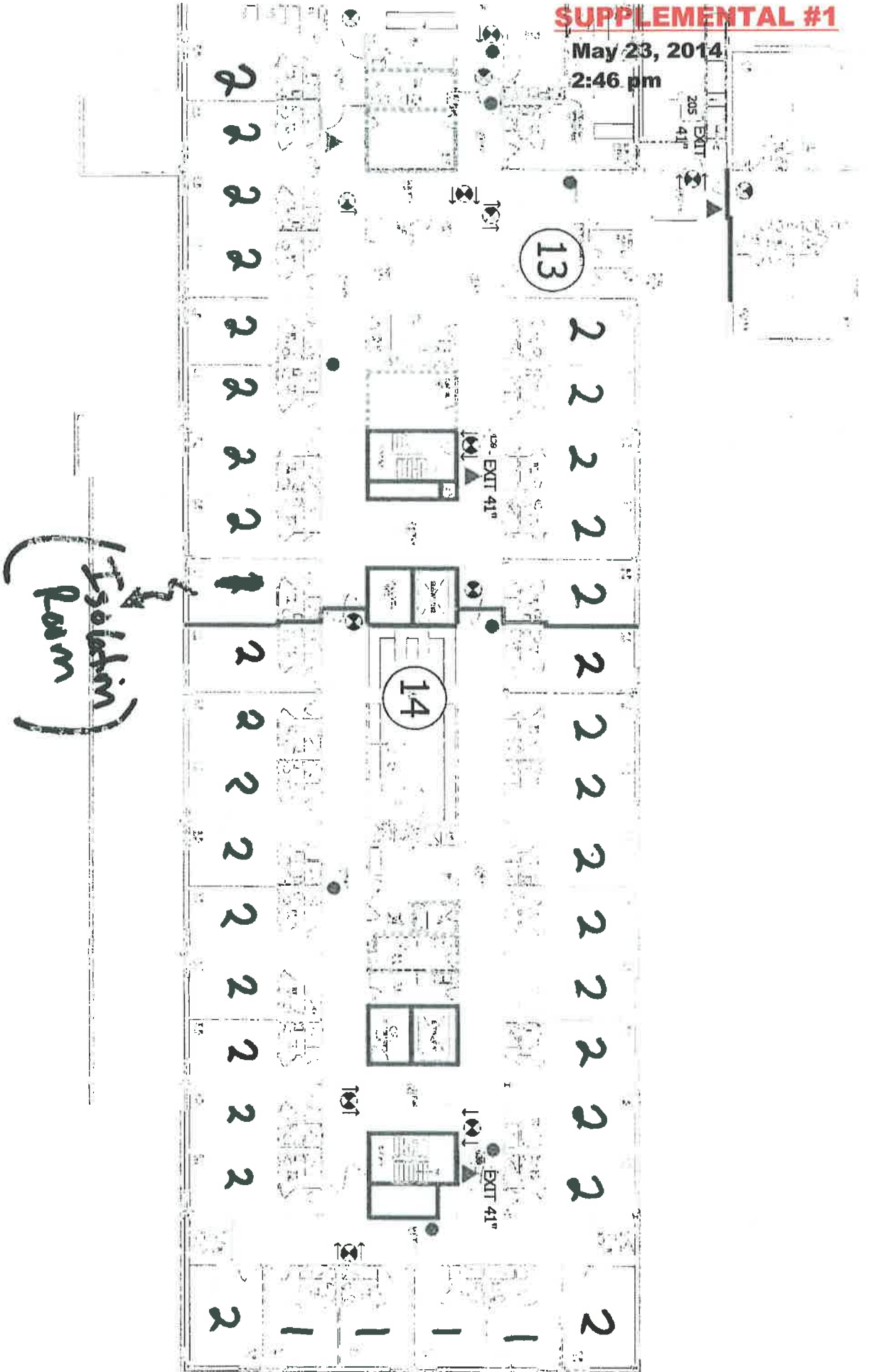
**2:46 pm**



**SUPPLEMENTAL #1**

May 23, 2014

2:46 pm



2ND FLOOR LIFE SAFETY PLAN

**4. Section C, Need, Item 1 (State Health Plan)**

**State Health Plan, Access - given the hospital's 76.3% TennCare payor mix for obstetric services (page 29), please discuss the barriers to access to obstetric services facing the TennCare population in the 5-county primary service area, and how Lakeway Regional Hospital plans to assist this population with the transition if this application is approved. In your response, please identify all TennCare plans other hospitals with OB services in Hamblen and Cocke Counties have in place.**

The applicant is not aware of any barriers to access to OB services within the 5 county service area faced by TennCare patients as compared to any other payor or income group. The two hospital which would offer OB services if Lakeway Regional discontinues its service – Morristown Hamblen Healthcare System (MHHS) and Newport Medical Center (f/k/a Tennova Newport) -- both participate in the TennCare program. Lakeway Regional will assist in transitioning these patients in the same manner it will all of its inpatient OB patient population. It will provide notification to providers, EMS and the general public. And of course it will comply with federal law by providing any necessary treatment, stabilization and transfer of OB patients who present in its emergency room following discontinuation of OB services.

Newport Medical Center participates in the following TennCare plans: BlueCare, TennCare Select, and UnitedHealthcare Community Plan.

The applicant does not have access to which TennCare MCOs MHHS contracts with, but according to its 2012 Joint Annual Report, MHHS treated patients enrolled in the following TennCare MCOs: UnitedHealthcare Community Plan, AmeriGroup, BlueCare, and TennCare Select.

**State Health Plan, Health Care Workforce – the actions taken to retain OB nursing staff are noted. The applicant mentions obstacles to adequate physician coverage for both pediatricians and obstetricians (pages 7 and 29). Given the impact of absorbing the OB service volumes of Lakeway and the importance to the 5-county service area, did the applicant discuss options (such as shared active staff privileges at both hospitals) with Morristown-Hamblen Health System other than the transfer agreement relationship? Please discuss.**

Lakeway has 2 active medical staff OB providers. Dr. Collinson is on active staff at both Lakeway and MHHS. Dr. Zain is only on active staff at LRH. Dr. Collinson has the ability to shift volume as needed based on his medical staff privileges at both facilities. Dr. Zain has a small OB practice delivering 64 babies in 2011, 46 in 2012 and 39 in 2013. Given low volume with Dr. Zain and the other 5 OB's in the community accepting new patients, along with willingness of Newport Medical Center and MHHS to accept volume, shifting patients to other providers should not be an issue.

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following this response.

**May 23, 2014**

**2:46 pm**



May 23, 2014

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243

Re: Lakeway Regional Hospital  
CN1405-013

Dear Ms. Hill:

On behalf of Tennova Newport Medical Center I am writing to express our support for the above referenced CON for Lakeway Regional Hospital. We are a provider of obstetric services in the Lakeway Region and have the capacity and willingness to accept OB patients from our combined service areas.

We, and our delivering physicians, also participate in the TennCare program and all of the managed Medicaid plans currently offered. Our delivering physicians are also currently accepting new TennCare OB patients.

If I can provide any additional information, or if you have any additional questions, please feel free to contact me at the telephone number below.

Sincerely,

A handwritten signature in black ink, appearing to read "Spencer Thomas", written over a horizontal line.

Spencer Thomas  
Chief Executive Officer



# MORRISTOWN-HAMBLEN HEALTHCARE SYSTEM

Covenant  
HEALTH

**May 23, 2014**

**2:46 pm**

908 West Fourth  
North St.

P.O. Box 1178

Morristown, TN 37816

(423) 586-4231

[www.mhhs1.org](http://www.mhhs1.org)

May 22, 2014

Ms. Melanie M. Hill, Executive Director  
State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Lakeway Regional Hospital Discontinuance of Obstetrical Services  
CN 1405-013

Dear Ms. Hill,

As President and Chief Administrative Officer of Morristown-Hamblen Healthcare System, I am writing in response to a recent request of Lakeway Regional Hospital's leadership. I can affirm that Morristown-Hamblen Healthcare System currently offers obstetrical services to the community. Our hospital has capacity to absorb any additional volume created by the Lakeway Regional Hospital's discontinuance of obstetrics.

If you have any further questions, please contact me at 423-492-5009.

Sincerely,

Gordon E. Lintz  
President and CAO

CC: Mike Richardson, Vice President, Strategic Planning and Development

Emergency &  
Critical Care Center  
Heart, Lung & Vascular Center  
Joint & Spine Center  
Laboratory Services Center  
Morristown Regional  
Cancer Center  
Morristown Regional  
Diagnostic Center  
Prenatal Family Care  
Senior Services  
Sleep Disorder Center  
Surgical Services Center  
Wellness of Women  
Women's & Children's Center  
Women's Health Specialist



**5. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services (A. Need and B. Accessibility))**

**Project Specific Criteria – A. Need, Item 4**

**Please identify the estimated number below the federal poverty level and include in the discussion.**

As reflected on the Demographics Table attached as Attachment C, I, Need, 4 to the original application, 17.8% of the service area population is below federal poverty level. Assuming this same percentage applies to the female 15-44 year age group, applying that percentage to the 203 patients potentially affected in Year 1 results in the number of patients under the poverty level who would potentially be affected being 36.

**Project Specific Criteria, A. Accessibility, Items 1, 3 and 5**

**Accessibility, Item 1 - The applicant's CY2012 JAR indicates that residents of Cocke and Jefferson Counties accounted for approximately 18% of total discharges. As a result, please include the distances to the Tennova – Hospital in Newport.**

According to Google Maps, the driving distance and time to Newport Medical Center (formerly Tennova Newport) from Lakeway Regional is 21.9 miles and 35 minutes.

**Accessibility, Item 3 – Please confirm Tennova-Newport Medical centers participation as an alternate provider of OB services. Additionally, has the applicant also notified and gained support of hospital medical staff, community leadership, emergency conveyance services, and the general public?**

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following the response to Question 4.

Over the last several months, as provider coverage has become a challenge, there have been multiple communications with the medical staff, Board of Trustees and community leaders about the long term viability of the Lakeway OB program. With volume declines and scarcity of resources, coupled with the concentration of resources at MHHS, it was believed consolidation of services with MHHS and Newport Medical Center was the best course to take. Even without an OB department, Lakeway still plans to provide any needed emergency services and transfers to an appropriate facility.

**Accessibility, Item 4 – hospital IP charges can be compared for both Vaginal Deliveries (DRG540) and Cesarean Deliveries (DRG 560) using information from the 2012 Tennessee Hospital Charge Reports. This report can be found on the Department of Health/Health Statistics link to the toolbox on the HSDA website. Please review the information provided in the report # of procedures by severity and average/median charge) and include a discussion of the findings in the response.**

**May 23, 2014**

**2:46 pm**

As noted, the reported gross charges of Lakeway Regional for both vaginal and caesarian deliveries were the highest of the 3 hospitals in the service area providing OB services. The charges reported for Lakeway do not equate to or determine actual reimbursement received.

As to severity, none of the 3 relevant hospitals reported any deliveries in the "Severe" category. The breakdown by percentage of deliveries falling into each of the "Minor," "Moderate," and "Major" severity categories are as follows:

<u>Hospital</u>	<u>Type Delivery</u>	<u>% Minor</u>	<u>% Moderate</u>	<u>% Major</u>
Lakeway	Vaginal	67%	29%	4%
Lakeway	Caesarian	79%	21%	N/A
MHHS	Vaginal	69%	29%	2%
MHHS	Caesarian	75%	25%	N/A
Newport	Vaginal	54%	39%	7%
Newport	Caesarian	83%	17%	N/A

All 3 hospitals had roughly the same percentage of both vaginal and Caesarian deliveries falling into the "Minor" "Moderate" and "Major" severity categories, although Newport Medical Center had a slightly higher percentage of cases ranging towards the higher severity categories.

**Accessibility, Item 5 - A copy of the May 1, 2014 transfer agreement with Morristown-Hamblen Health Care System is noted in the application. Review of the MHCCS 2012 JAR revealed a Net Operating Income (NOI) loss of approximately \$1.25 million during the reporting period. Tennova -Newport Medical Center appears to have realized a favorable NOI of \$8.2 million in 2012. Also of note, the applicant reports that the OB service has an estimated 76% TennCare payor mix. With these factors in mind, please confirm the 2 hospitals' interest and ability in absorbing the applicant's additional OB volumes, including accepting TennCare patients and others without insurance based on their inability to pay. In your response, please provide written documentation from representatives of the 2 hospitals affirming same.**

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following the response to Question 4.

The letter from Newport Medical Center also states its willingness to accept TennCare patients. While the letter from MHHS does not specifically address TennCare, that hospital apparently participates in all 3 TennCare plans. And virtually all mothers who present for OB delivery will either have private insurance or will be Medicaid/TennCare eligible.

**6. Section C, Need, Item 2 and Section C, Orderly Development, Item 2**

**What services are being developed or in the process of being implemented over the next three years that might help the hospital make a more effective use of the space dedicated to the OB service?**

No new services are planned at this time. Lakeway expects a modest increase in general medical and surgical patient volume over the next 3 years. The hospital has a busy surgical services department and when IP surgeries occur or there is a need to place a surgical patient in observation, it is a significant patient satisfier if the hospital can offer them a private room. Given space constraints on our current med/surg unit, utilization of the OB space will allow for more private rooms.

**A) Please describe hospital management's discussions with local business and medical community leadership and elected public officials regarding this decision. In your response, please provide letters of support from community leaders and members of the medical staff for the project. What are the expectations of these parties, if any, concerning the applicant's leadership and role in addressing the health care needs of the maternal-fetal population located in the primary service area?**

Over the last several months, as provider coverage has become a challenge, there have been multiple communications with the medical staff, Board of Trustees and community leaders about the long term viability of our OB program. With volume declines and scarcity of resources, coupled with the concentration of resources at MHHS, it was believed consolidation of OB services with MHHS and Newport Medical Center was the best course to take. Even without an OB department, Lakeway still plans to provide any needed emergency services and transfers to the appropriate facility.

**B) Please provide descriptions of the hospital's plans to coordinate the referral of potential OB patients to other facilities. Please also discuss the plans of active members of the applicant's medical staff to refer to the medical staffs of other hospitals that have the capacity to absorb the additional volumes from the applicant's discontinuance of its OB service.**

Lakeway has 2 active medical staff OB providers. Dr. Collinson is on active staff at both Lakeway and MHHS. Dr. Zain is only on active staff at Lakeway Regional. Dr. Collinson has the ability to shift volume as needed based on his medical staff privileges at both facilities. Dr. Zain has a small OB practice delivering 64 babies in 2011, 46 in 2012 and 39 in 2013. Given low volume with Dr. Zain and the other 5 OB's in the community accepting new patients, along with willingness of Newport Medical Center and MHHS to accept volume, shifting patients to other providers should not be an issue.

**7. Section C, Need, Item (4.B.)**

**Please identify the MUA status of each county in the service area.**

<u>County</u>	<u>MUA?</u>	<u>Score*</u>	<u>Year Designated</u>
Hamblen	Yes	61.30	1994
Cocke	Yes	37.80	1978
Grainger	Yes	59.70	1978
Hawkins	Yes	53.90	1978
Jefferson	Yes	59.90	1984

\*The higher the score, the lower the severity of the under-service.



Source: Health Resources and Services Administration website:  
<http://muafind.hrsa.gov/index.aspx>

**Please complete the following table providing the total eligible female population and the total number of births to female residents of the 5-county service area during the most recent year that birth data is available:**

<b>Year</b>	<b>Female Population (age 15-44)</b>	<b>Births to female residents Ages 15-44</b>
<b>2010</b>	42,033	2,458
<b>2011</b>	41,463	2,485
<b>2012</b>	41,602	2,511
<b>2013 (if known)</b>	41,780	Not Available
<b>% Change</b>	(0.6%)	2.1% ('10-'12)

Sources: Population, Division of Health Statistics website,  
<http://health.state.tn.us/statistics/CertNeed.shtml>; Births, Division of Health Statistics

**8. Section C, Need, Item 5**

**Please provide the following information for hospitals in the service area with OB programs:**

<b>Variable</b>	<b>Lakeway</b>	<b>MHCC</b>	<b>Newport Med. Ctr.</b>
<b>Total Licensed Beds</b>	135	167	74
<b>OB Beds</b>	16	22	4
<b>OB ADC 2012</b>	1.9	4.9	1.1
<b>Deliveries- 2012</b>	298	826	208
<b>Deliveries- 2011</b>	327	801	258
<b>Deliveries-2010</b>	271	836	207
<b>% Change ('10-'12)</b>	10%	(1.2%)	0.5%
<b>OB Admits -2012</b>	298	826	208

**9. Section C, Need, Item 6**

**Please provide the hospital's following utilization of its licensed beds by service as indicated in the following table:**

<b>Bed Type</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>% change '11-'13</b>	<b>2014 estimated</b>	<b>Year 1</b>	<b>Year 2</b>
<b>ICU/CCU</b>							
<b>Beds</b>	7	7	7	0	7	7	7
<b>Admissions</b>	424	410	404	-4.7%	404	404	404
<b>%Occupancy</b>	65.2	61.8	61.6	-4.7%	61.6	61.6	61.6
<b>Medical/Surgical</b>							
<b>Beds</b>	70	70	70	0	70	86	86
<b>Admissions</b>	2388	2228	1753	-26.6%	1696	1835	1878
<b>ALOS</b>	4.5	4.1	3.8	-15.5%	3.8	3.8	3.8

<b>%Occupancy</b>	<b>42.1</b>	<b>35.4</b>	<b>26.1</b>	<b>-38%</b>	<b>24.8</b>	<b>22.2</b>	<b>22.7</b>
<b>Obstetrical</b>							
<b>Beds</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>0</b>
<b>Admissions</b>	<b>327</b>	<b>298</b>	<b>246</b>	<b>-24.8%</b>	<b>150</b>	<b>0</b>	<b>0</b>
<b>ALOS</b>	<b>2.3</b>	<b>2.1</b>	<b>2.1</b>	<b>-8.7%</b>	<b>2.1</b>	<b>0</b>	<b>0</b>
<b>%Occupancy</b>	<b>12.9</b>	<b>12.6</b>	<b>10.2</b>	<b>-21%<sup>8</sup></b>	<b>7.2</b>	<b>0</b>	<b>0</b>
<b>Rehabilitation</b>							
<b>Beds</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>27</b>	<b>27</b>	<b>27</b>
<b>Admissions</b>	<b>225</b>	<b>174</b>	<b>148</b>	<b>-34.2%</b>	<b>120</b>	<b>150</b>	<b>170</b>
<b>%Occupancy</b>	<b>26.9</b>	<b>24.5</b>	<b>20.8</b>	<b>-22.7%</b>	<b>17.0</b>	<b>15.2</b>	<b>17.2</b>
<b>Swing Beds</b>							
<b>Beds</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Admissions</b>	<b>114</b>	<b>105</b>	<b>56</b>	<b>-50.9%</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>%Occupancy</b>	<b>15.5</b>	<b>14.1</b>	<b>6.5</b>	<b>-58%</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
<b>TOTAL</b>							
<b>Beds</b>	<b>135</b>	<b>135</b>	<b>135</b>	<b>0</b>	<b>135</b>	<b>135</b>	<b>135</b>
<b>Admissions</b>	<b>3478</b>	<b>3264</b>	<b>2607</b>	<b>-25%</b>	<b>2400</b>	<b>2419</b>	<b>2467</b>
<b>ALOS</b>	<b>4.5</b>	<b>4.2</b>	<b>4.3</b>	<b>-4.4%</b>	<b>4.3</b>	<b>4.3</b>	<b>4.5</b>
<b>%Occupancy</b>	<b>31.8</b>	<b>28.1</b>	<b>22.5</b>	<b>-29%</b>	<b>20.9</b>	<b>21.1</b>	<b>22.5</b>

**Given the plans to redistribute the 16 OB beds to the Med/Surg service, please also identify and discuss the methodology used to develop projections for the 86 licensed bed Med/Surg service's utilization in the first two years following discontinuation of the OB service.**

The projection is based on the current run rate for the departments with a slight increase. For normal budgeting purposes we generally assume 2% growth, year 1 allows for the closure of the OB department and year 2 assumes 2% growth over year 1 in Med/Surg and Rehab. We also anticipate some of the growth to come from an increase in individuals accessing healthcare due to the Affordable Care Act.

#### **10. Section C, Economic Feasibility, Item 1**

**Although the potential re-use of the OB floor remains in question, will the unit require renovation in order to be converted to a medical/surgical unit (or other purpose)? What is the estimated cost to convert the LDRP and Postpartum beds to Med/Surg beds?**

The current OB unit would require no renovation to be converted to a medical/surgical unit. All of the rooms are private rooms and would remain so. This would be a benefit in that it would make more private med/surg beds available at Lakeway Regional. Currently, only 5 of the 70 med/surg beds are in private rooms.

There would be no cost involved in converting the OB unit to a med/surg unit. The post-partum beds are regular hospital beds and could be used as med/surg beds. The 6 LDRP beds would be replaced with regular hospital beds. The beds, as well as any other required movable equipment, are in the CHS inventory of hospital FFE.

#### **11. Section C, Economic Feasibility, Item 4 (Historical Data Chart)**

**Given that outpatient revenues of the OB Service are included in the chart, what is the appropriate utilization measure for same in lieu of Deliveries? If outpatient volumes were excluded, would the financial performance of the inpatient OB Service be favorable as opposed to the \$57,560 net operating income (NOI) loss in 2013 (e.g. at or above financial breakeven)? Please discuss.**

Given that outpatient revenue are included in the chart an appropriate utilization measure for same in lieu of deliveries would be adjusted admissions. The adjusted admissions for the same time period are as follows: 2011 = 365, 2012 = 332 and 2013 = 261. However, deliveries is the appropriate measure due to the fact we are required to maintain core staffing related to the service for the same. Taking away the outpatient revenue would only worsen the results for the unit.

**Please explain why there are no provisions for charity care for the OB service.**

No provision for charity care is included because virtually all low income mothers receiving inpatient OB services who do not have private insurance are Medicaid eligible.

**The (\$57,560) loss in NOI for 2013 at approximately 2% of gross operating revenue is noted. Based on review of the OB service full staff profile on page 31, it appears that annual salary and benefits (estimated at 21% of base) would come to approximately \$994,200 million in 2014, a difference of approximately \$200,000 from the salary cost in 2013. If this is correct, then it seems that the NOI in the chart is understated by said amount. Please clarify.**

The staffing profile on page 31 is full staff at our optimum utilization; the 2013 dollars represent salary and benefits for core staffing due to the continued decline in volume related to this service line.

**To have a better understanding of the OB Service impact to the hospital, please provide a Historical Data Chart for the hospital for the 2012 and 2013 periods.**

A Historical Data Chart for the entire hospital is attached following this response.

**May 23, 2014****2:46 pm****HISTORICAL DATA CHART**

Lakeway Regional Hospital 116

Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year: 2011	Year: 2012	Year: 2013
A. Utilization/Occupancy Data	3478 admissions	3284 admissions	2607 admissions
B. Revenue from Services to Patients			
1. Inpatient Services	\$122,724,123.00	\$130,160,623.00	\$123,859,627.00
2. Outpatient Services	\$171,844,406.00	\$200,379,282.00	\$214,092,336.00
3. Emergency Services			
4. Other Operating Revenue	\$185,084.00	\$154,606.00	\$166,454.00
Specify: _____			
Gross Operating Revenue	\$294,753,613.00	\$330,694,511.00	\$338,118,417.00
C. Deductions from Operating Revenue			
1. Contract Deductions	\$252,218,794.81	\$284,740,856.95	\$296,284,571.50
2. Provision for Charity Care	\$832,654.19	\$726,077.05	\$413,887.50
3. Provision for Bad Debt	\$4,632,535.00	\$7,077,463.00	\$4,769,959.00
Total Deductions	\$257,684,984.00	\$292,544,397.00	\$301,498,418.00
<b>NET OPERATING REVENUE</b>	<b>\$37,068,629.00</b>	<b>\$38,150,114.00</b>	<b>\$36,619,999.00</b>
D. Operating Expenses			
1. Salaries and Wages	\$15,039,414.00	\$15,533,581.00	\$15,057,505.00
2. Physicians' Salaries and Wages			
3. Supplies	\$6,446,514.00	\$6,580,368.00	\$6,423,847.00
4. Taxes	\$3,114,158.00	\$3,541,243.00	\$3,453,504.00
5. Depreciation	\$2,345,391.00	\$2,575,696.00	\$2,747,136.00
6. Rent	\$883,814.00	\$943,104.00	\$1,017,010.00
7. Interest, other than Capital	\$4,215,301.00	\$4,398,085.00	\$4,719,153.00
8. Management Fees:			
a. Fees to Affiliates	\$1,311,116.00	\$1,549,313.00	\$1,367,148.00
b. Fees to Non-Affiliates			
9. Other Expenses	\$5,298,348.00	\$7,307,198.00	\$7,138,756.00
Specify: <u>see attached.</u>			
Total Operating Expenses	\$37,342,940.00	\$40,879,275.00	\$40,556,911.00
E. Other Revenue (Expenses)--Net			
Specify: _____			
<b>NET OPERATING INCOME (LOSS)</b>	<b>(\$274,311.00)</b>	<b>(\$2,729,161.00)</b>	<b>(\$3,936,912.00)</b>
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest	\$0.00	\$0.00	\$0.00
Total Capital Expenditures	\$0.00	\$0.00	\$0.00
<b>NET OPERATING INCOME (LOSS)</b>	<b>(\$274,311.00)</b>	<b>(\$2,729,161.00)</b>	<b>(\$3,936,912.00)</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>(\$274,311.00)</b>	<b>(\$2,729,161.00)</b>	<b>(\$3,936,912.00)</b>

**May 23, 2014****2:46 pm****D. Operating Expenses**

<b>9. Other Operating</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Med Spec Fees	\$972,443	\$1,388,171	\$1,503,189
Purchased Services	\$2,744,231	\$3,570,393	\$3,387,579
Phy recruiting	\$16,340	\$207	\$2,985
Repairs & Maint	\$940,525	\$1,031,797	\$1,311,626
Marketing	\$166,198	\$145,231	\$112,828
Utilities	\$540,378	\$630,332	\$635,907
Other Oper Exp	\$590,683	\$541,067	\$588,108
HITECH incentive	-\$672,450		-\$403,466
	\$5,298,348	\$7,307,198	\$7,138,756

**12. Section C, Economic Feasibility, Item 4 (Projected Data Chart)**

**The Projected Data Chart without OB services is noted. It appears that revenues and expenses of the OB service have been accounted for, however, review of the applicant's CY2012 JAR revealed depreciation expense of approximately \$2.4 million and interest expense of approximately \$4.4 million for a total of \$6.8 million. Given the applicant's description on page 28, these amounts are consolidated under "Depreciation" in line D.5 of the chart and sum to \$3,288,750 in Year 1. Based on the difference of approximately \$3.5 million from the amounts provided in the CY2012 JAR, are operating expenses and NOI understated in the Projected Data Chart of the hospital? Please clarify.**

The "depreciation" line item includes depreciation and amortization, not interest. Interest was erroneously omitted from the Projected Data Chart. A revised Projected Data Chart which includes the interest expense is attached following this response.

**May 23, 2014**

**2:46 pm**

**PROJECTED DATA CHART**

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	Year 1 2419 admissions	Year 2 2467 admissions
A. Utilization/Occupancy Data (Specify unit of measure).		
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 125,258,940.00	\$ 131,521,887.00
2. Outpatient Services	\$ 200,393,126.00	\$ 210,412,782.30
3. Emergency Services	\$ 21,400,749.00	\$ 22,470,786.45
4. Other Operating Revenue (Specify) _____	\$ _____	\$ _____
<b>Gross Operating Revenue</b>	<b>\$ 347,052,815.00</b>	<b>\$ 364,405,455.75</b>
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 304,209,655.00	\$ 320,620,137.75
2. Provisions for Charity Care	\$ 726,077.00	\$ 762,380.85
3. Provisions for Bad Debt	\$ 4,273,440.00	\$ 4,487,112.00
<b>Total Deductions</b>	<b>\$ 309,209,172.00</b>	<b>\$ 325,869,630.60</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 37,843,643.00</b>	<b>\$ 38,535,825.15</b>
D. Operating Expenses		
1. Salaries and Wages	\$ 14,694,526.00	\$ 14,988,416.52
2. Physicians' Salaries and Wages	\$ -	\$ -
3. Supplies	\$ 6,601,406.00	\$ 6,733,434.12
4. Taxes	\$ 3,907,860.00	\$ 3,946,938.60
5. Depreciation	\$ 3,288,750.00	\$ 3,321,637.50
6. Rent	\$ 1,052,032.00	\$ 1,041,511.68
7. Interest, other than Capital	\$ 4,725,165.00	\$ 4,725,165.00
8. Management Fees:		
a. Fees to Affiliates	\$ 1,702,236.00	\$ 1,702,236.00
b. Fees to Non-Affiliates	\$ _____	\$ _____
9. Other Expenses	\$ 7,497,692.00	\$ 7,647,645.84
Specify: <u>Purch Svs, R&amp;M, Utilities, mkting, other</u>		
<b>Total Operating Expenses</b>	<b>\$ 43,469,667.00</b>	<b>\$ 44,106,985.26</b>
E. Other Revenue (Expenses)--Net		
Specify: _____		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (5,626,024.00)</b>	<b>\$ (5,571,160.11)</b>
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (5,626,024.00)</b>	<b>\$ (5,571,160.11)</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$ (5,626,024.00)</b>	<b>\$ (5,571,160.11)</b>

**SUPPLEMENTAL #1****May 23, 2014****2:46 pm****D. Other Operating**

<b>9. Other Expenses</b>	<b>Year 1</b>	<b>Year 2</b>
Repairs & Maint	\$1,266,948.00	\$1,292,286.96
Other Operating	\$460,814.00	\$470,030.28
Purchased Services	\$3,625,704.00	\$3,698,218.08
Med Specialty Fees	\$1,371,924.00	\$1,399,362.48
Physician Recruiting	\$9,186.00	\$9,369.72
Contract Labor	\$150,000.00	\$153,000.00
Utilities	\$613,116.00	\$625,378.32
	\$7,497,692.00	\$7,647,645.84



**May 23, 2014**

**2:46 pm**

**As noted in the Historical Data Chart, it appears that the financial performance of the OB service may have had no significant or immediate bearing on the decision to apply for a CON to discontinue the OB service. However, it is understood that the OB unit's projected financial performance in 2014 may be significantly worse based on declining utilization due to the physician and nursing staffing problems described by the applicant. As such, using the chart as a template, please provide an estimate of projected NOI for the service in 2014 with highlights of any significant changes from 2013 (reduced operating revenue, increased contract labor expense, etc.).**

The projection for 2014 includes a reduction of 25% in OB volume as previously noted. If the facility is not permitted to close the OB program the hospital will incur costs associated with maintaining core staffing for deliveries. The projection includes 2 travel nurses and Locums coverage for the same time period.

The 2014 OB service projection (using the HDC format as requested) is attached following this response.

May 23, 2014

2:46 pm

## HISTORICAL DATA CHART

Lakeway Regional Hospital OB Depts: 021,024,028

Give information for the last three (3) years for which complete data are available for the facility or agency.

		Year: 2014
A.	Utilization/Occupancy Data	184
		Deliveries
B.	Revenue from Services to Patients	
	1. Inpatient Services	\$1,953,344.00
	2. Outpatient Services	\$121,072.00
	3. Emergency Services	
	4. Other Operating Revenue	
	Specify: _____	
	Gross Operating Revenue	\$2,074,416.00
C.	Deductions from Operating Revenue	
	1. Contract Deductions	\$1,273,069.10
	2. Provision for Charity Care	\$0.00
	3. Provision for Bad Debt	\$31,116.24
	Total Deductions	\$1,304,185.34
NET OPERATING REVENUE		\$770,230.66
D.	Operating Expenses	
	1. Salaries and Wages	\$749,807.00
	2. Physicians' Salaries and Wages	
	3. Supplies/Drugs	\$150,512.00
	4. Taxes	
	5. Depreciation	
	6. Rent	\$4,436.00
	7. Interest, other than Capital	
	8. Management Fees:	
	a. Fees to Affiliates *	
	b. Fees to Non-Affiliates	
	9. Other Expenses	\$357,974.00
	Specify: <u>Other Operating, Purch Serv, Maint, Malpractice</u>	
	Total Operating Expenses	\$1,262,729.00
E.	Other Revenue (Expenses)--Net	
	Specify: _____	
NET OPERATING INCOME (LOSS)		(\$492,498.34)
F.	Capital Expenditures	
	1. Retirement of Principal	
	2. Interest	
	Total Capital Expenditures	\$0.00
NET OPERATING INCOME (LOSS)		(\$492,498.34)
LESS CAPITAL EXPENDITURES		\$0.00
NOI LESS CAPITAL EXPENDITURES		(\$492,498.34)

\* Corporate management fees allocated to Lakeway Regional are reflected on the projected data chart. However, it is not possible to allocate a portion of these fees to OB or any specific service line.

## **SUPPLEMENTAL #1**

**May 23, 2014**

**2:46 pm**

#### D. Operating Expenses

## 9. Other Expenses

2014

**Malpractice Ins**

89,482

### Repairs & Maint

**\$2,292**

## Locums

**\$183,000**

## Travel Nurses

**\$83,200**

**\$357,974**

**May 23, 2014**

**2:46 pm**

**Please provide an additional Projected Data Chart for the entire facility for the next two years as if the discontinuance of the Obstetrical Services Program were not approved by the Agency. In your response, please include the cost for locum tenens coverage of the OB service as described on page 29. Please also identify what is being included in management fees to affiliates and indicate how much might be discretionary, i.e. the amount that could be reduced in year 1 and year 2 to cover operating losses if the OB service were continued.**

The Projected Data Chart including OB services includes additional fees estimated at \$547,500 for travel nurses and Locums for required coverage. These fees may be more depending on the available coverage if the facility is required to maintain this service. The management fees to affiliates are not discretionary dollars; these fees are allocated to the facility and are not based on the services at the facility.

An additional Projected Data Chart is attached following this response.

**SUPPLEMENTAL #1****May 23, 2014****2:46 pm****PROJECTED DATA CHART**

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	Year 1 2569 admissions	Year 2 2620 admissions
A. Utilization/Occupancy Data (Specify unit of measure).		
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 127,870,539.00	\$ 134,264,065.95
2. Outpatient Services	\$ 221,793,875.00	\$ 232,883,568.75
3. Emergency Services	\$ 21,400,749.00	\$ 22,470,786.45
4. Other Operating Revenue (Specify) _____	\$ _____	\$ _____
<b>Gross Operating Revenue</b>	<b>\$ 371,065,163.00</b>	<b>\$ 389,618,421.15</b>
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 327,112,494.44	\$ 345,468,119.16
2. Provisions for Charity Care	\$ 726,077.00	\$ 762,380.85
3. Provisions for Bad Debt	\$ 4,314,932.00	\$ 4,530,678.60
<b>Total Deductions</b>	<b>\$ 332,153,503.44</b>	<b>\$ 350,761,178.61</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 38,911,659.56</b>	<b>\$ 38,857,242.54</b>
D. Operating Expenses		
1. Salaries and Wages	\$ 15,484,333.00	\$ 15,794,019.66
2. Physicians' Salaries and Wages	\$ _____	\$ _____
3. Supplies	\$ 6,802,828.00	\$ 6,938,884.58
4. Taxes	\$ 3,907,860.00	\$ 3,946,938.60
5. Depreciation	\$ 3,288,750.00	\$ 3,321,637.50
6. Rent	\$ 1,056,468.00	\$ 1,045,903.32
7. Interest, other than Capital	\$ 4,725,165.00	\$ 4,725,165.00
8. Management Fees:		
a. Fees to Affiliates	\$ 1,702,236.00	\$ 1,702,236.00
b. Fees to Non-Affiliates	\$ _____	\$ _____
9. Other Expenses	\$ 8,045,192.00	\$ 8,206,095.84
Specify: <u>Purch Svs, R&amp;M, Utilities, mkting, other</u>		
<b>Total Operating Expenses</b>	<b>\$ 45,012,832.00</b>	<b>\$ 45,680,880.48</b>
E. Other Revenue (Expenses)--Net		
Specify: _____		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (6,101,172.44)</b>	<b>\$ (6,823,637.94)</b>
F. Capital Expenditures		
1. Retirement of Principal	_____	_____
2. Interest	_____	_____
<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (6,101,172.44)</b>	<b>\$ (6,823,637.94)</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$ (6,101,172.44)</b>	<b>\$ (6,823,637.94)</b>

**SUPPLEMENTAL #1****May 23, 2014****2:46 pm****D. Other Operating**

9. Other Expenses	Year	Year 2
Repairs & Maint	\$1,266,948.00	\$1,292,286.96
Other Operating	\$460,814.00	\$470,030.28
Purchased Services	\$3,625,704.00	\$3,698,218.08
Med Specialty Fees (including Locums)	\$1,919,424.00	\$1,957,812.48
Physician Recruiting	\$9,186.00	\$9,369.72
Contract Labor (including Travel Nurses)	\$150,000.00	\$153,000.00
Utilities	\$613,116.00	\$625,378.32

**Projected outpatient annual gross revenues are approximately \$75 million higher than the applicant's inpatient revenues. In lieu of admissions, what is a representative utilization measure that applies equally to outpatient (e.g. adjusted patient days)? Please clarify.**

A representative alternative utilization measure would be adjusted admissions and adjusted patient days. Adjusted admissions and patients days are calculated using the OP factor (Total Revenue/IP Revenue) multiplied by the number of admissions and patient days.. Based on the projected data chart Year 1 adjusted admissions = 6,700 and adjusted patient days = 30,151; Year 2 adjusted admissions = 6,833 and adjusted patient days = 30,749.

**Since the community is losing access to a valuable primary care healthcare resource through this proposal, please discuss how the hospital's financial gain, if any, will be used to fund access to other community healthcare programs designed to address other vital community healthcare needs.**

With focusing on core service lines to include ED, outpatient services and Med/Surg volume, Lakeway Regional will still be an integral part of the medical community for the service area. The impact of this proposal will allow the Lakeway to direct resources to key service lines to maintain long term financial viability of the hospital.

### **13. Section C, Economic Feasibility, Item 6.B**

**It is understood that proposed charges of the OB Service would not apply should CON approval of the proposal be granted by the Agency. However, it would be helpful if the applicant included findings from its review of the 2012 Tennessee Hospital Charge Report pertaining to a comparison of the applicant's charges to other hospitals in the service area for vaginal and cesarean deliveries by severity level. While review by HSDA staff revealed that the applicant's charges for these 2 categories were the highest of the 3 hospitals, comment by the applicant pertaining to the rationale for same and any implications as to potential financial impact to the other OB providers would be appreciated.**

As noted, the reported gross charges of Lakeway Regional for both vaginal and caesarian deliveries were the highest of the 3 hospitals in the service area providing OB services. The charges reported for Lakeway do not equate to or determine actual reimbursement received. Actual reimbursement is determined by the 3<sup>rd</sup> party payor, which for OB is most often TennCare.

Letters from both MHHS and Newport Medical Center indicating those providers' ability and willingness to absorb OB volume from Lakeway Regional are attached following the response to Question 4. The letter from Newport Medical Center also states its willingness to accept TennCare patients. While the letter from MHHS does not specifically address TennCare, that hospital apparently participates in 4 TennCare plans, as indicated by its treatment of patient s in those plans as indicated on its Joint Annual Report. And virtually all low income mothers who present for OB delivery will either have private insurance or will be Medicaid/TennCare eligible. The absorption of the OB patients into MHHS and Newport Medical Center is not expected to have any negative financial impact on those hospitals.

#### **14. Section C, Economic Feasibility, Items 7 and 8**

**Please discuss in terms of total hospital in accordance with the projected utilization volumes provided by the applicant in question 9 of this supplemental response (question relates to Section C, Need, Item 6).**

**In your response, please identify the contribution the Med/Surg service may have to the financial viability of the hospital with more staffed beds in service and increases in patient admissions to the service.**

As reflected in the table in response to Question 9, we expect to see only a minimal increase in Med/Surg patients in 2014. This increase is primarily due to the expected increase in insured patients due to the Affordable Care Act. As patients gain access to affordable care, less self-pay volume will be realized reducing bad debt. On current operational models for staffing and coverage of the Med/Surg unit, we will be able to enhance operational efficiencies, in a concise manner, while meeting the needs of the patients and providers we serve. By focusing on core service lines to include ED, outpatient services and Med/Surg volume, Lakeway will still be an integral part of the medical community for the service area. The impact of this proposal will allow Lakeway to direct resources to key service lines in order to maintain long term financial viability of the hospital.

#### **15. Section C, Orderly Development, Item 2**

**Please complete the following chart for the positive and negative effects of the proposed project:**

<b>Positive Effects</b>	<b>Negative effects</b>
<b>1.) continue OB in Morristown</b>	<b>1.)less patient choice</b>
<b>2.) more efficient operation</b>	<b>2.)</b>
<b>3.) Increase OB volume at MHHS</b>	<b>3.)</b>
<b>4.) Increase OB volume at Newport Med. Ctr.</b>	<b>4.)</b>
<b>5.)Increase flexibility for med/surg program at Lakeway Regional. Additional private beds.</b>	<b>5.)</b>

No. 4): In light of the fact that approximately 18% of Lakeway Regional's deliveries in 2012 were residents of Cocke County, it is likely some of these patients would go to Newport Medical Center in Cocke County as an alternative OB provider. Newport Medical Center has unused capacity in its OB program, as reflected in the table in response to Question 8. So another positive effect of this project is the likely increase in OB utilization at Newport Medical Center.

No. 5): Although it has not been definitively determined to convert the OB unit to a med/surg unit, that is the most likely scenario. Most of the current med/surg beds at Lakeway Regional are in semi-private rooms. All of the rooms in the current OB unit are private rooms, and will remain so. If the ultimate use of the OB unit is to convert it to a med/surg unit, it would increase the number of private med/surge beds available at Lakewood Regional by 16 beds.



**May 23, 2014**

**2:46 pm**

**16. Outstanding CON Project Status/Updates**

**Please identify the status of any outstanding Certificates of Need approved by HSDA for facilities affiliated with the applicant through ownership by Community Health Systems, Inc. At a minimum, please identify the name & CON #, current status or update of activities in progress (included in Annual Progress Report if due) and estimated completion dates of major phases of the project, as appropriate.**

The requested information is attached following this response.

**May 23, 2014****2:46 pm**

## Outstanding CONs for CHS Hospitals

<b>Facility</b>	<b>CON #</b>	<b>Description</b>	<b>Status</b>	<b>Exp. Date</b>
Jamestown Regional Medical Center	CN1211-055A	Convert 6 med/surg beds to 6 swing beds	The Medicare number for the service has been received, and the Medicaid number is expected within the next 30 days. The service will begin as soon as the Medicaid number is received. An Annual Report was submitted on or about 4-30-14.	4-1-2016
North Knoxville Medical Center	CN1106-019A	Acquisition of 2 <sup>nd</sup> linear accelerator	This project has been delayed due to the CHS acquisition of HMA and other factors. As a result, it is likely a one year extension for this project will be requested prior to the deadline. An Annual Report was submitted on or about 5-9-14.	12-1-2014
North Knoxville Medical Center	CN1211-056A	Initiation of diagnostic cardiac cath.	Construction is scheduled to begin in September, 2014, with an anticipated completion date of February 28, 2015. An Annual Report was submitted on or about 5-1-14.	4-1-2016
University Medical Center	CN1210-051A	Acquisition of linear accelerator service	The acquisition of the linear accelerator service was completed in February 2013. Due to the HMA acquisition of the HMA, the service line plan which would address the possible replacement of the linear accelerator has not been completed. An Annual Report is being prepared and will be submitted by the end of May, 2014.	3-1-2016

**May 23, 2014**

**2:46 pm**

**17. Proof of Publication.**

**Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.**

A Publisher's Affidavit is attached following this response.

**May 23, 2014**

**2:46 pm**

## AFFIDAVIT OF PUBLICATION

STATE OF TENNESSEE

COUNTY OF HAMBLEN

R. Michael Fishman

Printed Name

Personally appeared before the undersigned authority and made oath that he is the Editor and Publisher of the Citizen Tribune and that the attached item was published in said newspaper on the following dates:

5/9/2014.

Signed



Name of Account: LAKEWAY REGIONAL HOSPITAL

Order Number: 22052843

Sworn to, and subscribed before me at Morristown, TN, this 12 th day of May, 2014.



Notary Public

Commission expires: 12/06/2015



**PUBLICATION OF INTENT**  
**TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**

The following shall be published in the "Legal Notices" section of the newspaper in a space no smaller than two (2) columns by two (2) inches.

**NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1001 et seq., and the Rules of the Health Services and Development Agency, that Lakeway Regional Hospital, owned and managed by Hospital of Morristown, Inc., intends to file an application for a Certificate of Need for authorization to discontinue its obstetrical service. The 16 obstetrical beds will be re-distributed to the general medical-surgical bed complement. Lakeway Regional Hospital is located at 726 McFarland Street, Morristown, Tennessee 37814. Lakeway Regional Hospital is licensed as a general hospital by the Tennessee Board for Licensing Health Care Facilities. The number of licensed hospital beds (130) will not change as a result of this proposal. No major medical equipment is involved in this project. The estimated project costs \$33,000.00.

The anticipated date of filing the application is May 14, 2014.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stiles and Harrison, PLLC, 401 Commerce Street, Suite 500, Nashville, Tennessee, 37219, 615-762-2228.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
602 Broadway Street  
Nashville, TN 37243

Pursuant to T.C.A. § 68-11-1005(c)(1): (A) Any health care institution wishing to approve a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

HEALTH SERVICES AND DEVELOPMENT AGENCY • 602 BROADWAY STREET • NASHVILLE, TN 37243

**May 23, 2014**

**2:46 pm**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF HAMBLEN

NAME OF FACILITY: Lakeway Regional Hospital

I, Clyde Wood, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Clyde Wood  
Name

CEO  
Title

Sworn to and subscribed before me this the 20<sup>th</sup> day of May, 2014, a Notary Public in and for Hamblen County Tennessee.

Candy Lamb  
Notary Public

My Commission Expires: 01-17-18.



# **SUPPLEMENTAL - #2 -ORIGINAL-**

**LAKEWAY REGIONAL HOSPITAL**

**CN1405-013**

**May 29, 2014**

**3:48 pm**

**SECOND SUPPLEMENTAL RESPONSES**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**LAKEWAY REGIONAL HOSPITAL**

**Discontinuance of Inpatient Obstetrical Services**

**Project No. CN1405-013**

**Hamblen County, Tennessee**

**May 30, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**1. Section A, Item 3 (Owner)**

**The organizational chart & list of facilities affiliated through ownership by CHS are noted.**

**The org chart includes Scott County Hospital, now known as Pioneer Community Hospital of Scott. Given the hospital's management changes since May 2012 (as documented in recent certificate of need activity of the hospital such as CN1311-041AY and CN1308-030A), please clarify whether or not the hospital is affiliated through ownership by CHS, Inc. If in error, please provide a revised org chart with your response.**

Scott County Hospital was formerly affiliated with CHS. Its ownership was divested and it is no longer affiliated with CHS. A revised organizational chart is attached following this response.



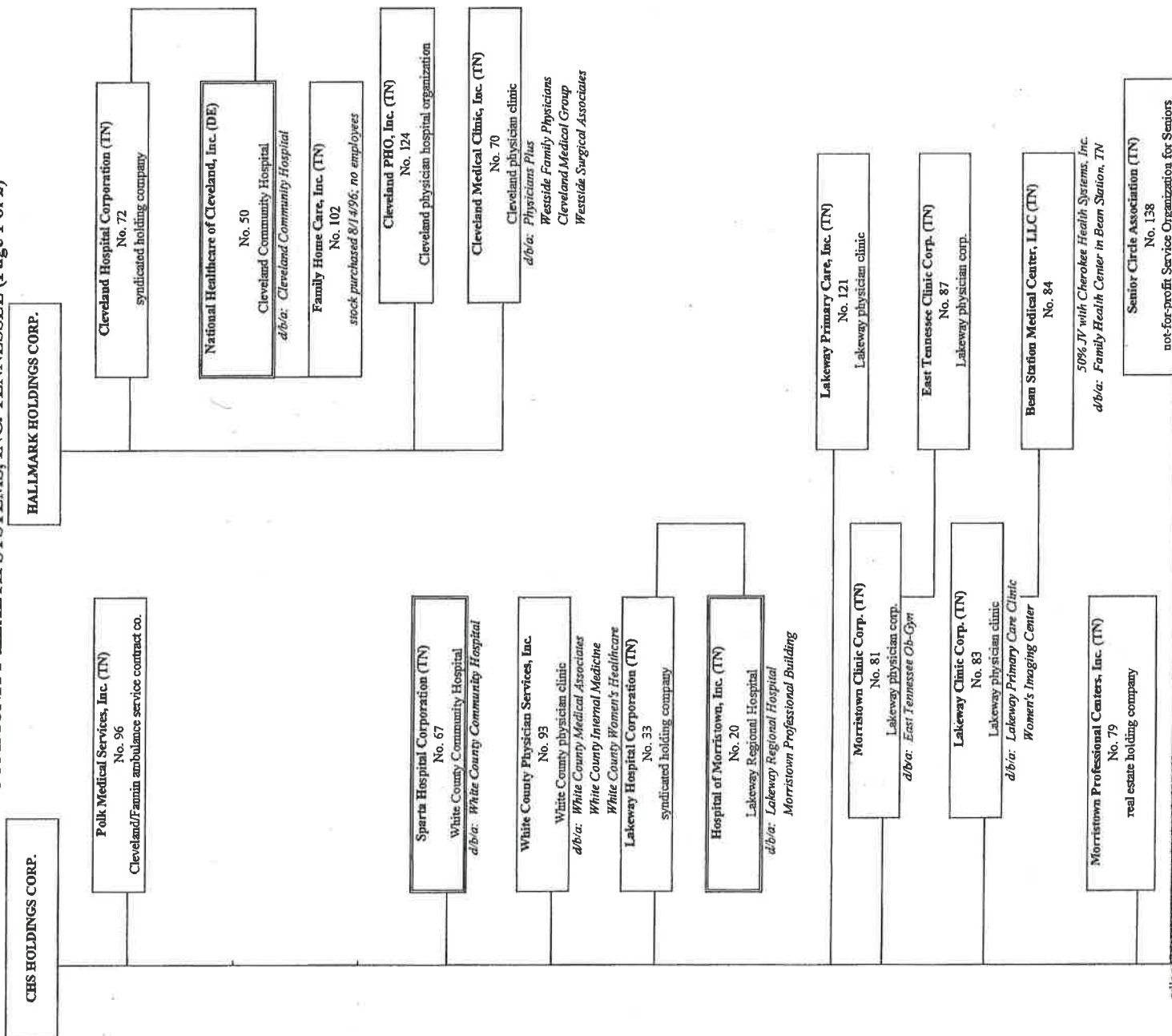
# COMMUNITY HEALTH SYSTEMS, INC. TENNESSEE (Page 1 of 2)

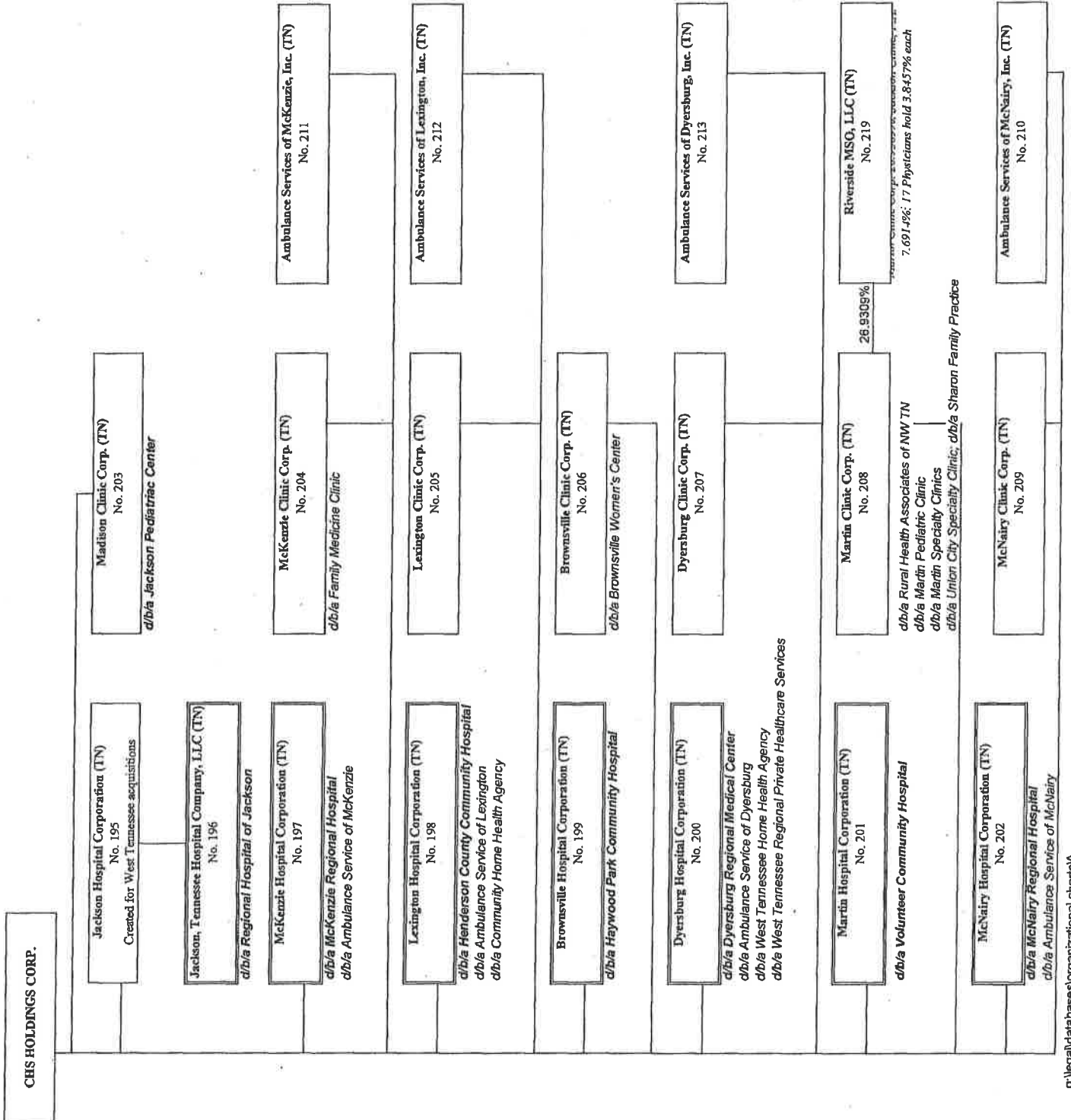
**SUPPLEMENTAL #2**

**May 29, 2014**

**3:48 pm**

3/20/2014





**2. Section B, Project Description, Items II.B and Section B, Project Description, Item IV (Floor Plan)**

The responses are noted. Review of the floor plan appears to indicate that the Med/Surg service is located on the same floor as the current OB service ( 2<sup>nd</sup> floor) and contains 5 private rooms and 33 semi-private rooms for a total of 71 licensed beds in lieu of the 70 beds identified in Section A, Item 9 of the application (Bed Complement table). Please clarify.

One bed is in an isolation room, which is only used when medically required. So although there are 71 beds physically located in the hospital, only 70 are licensed and could potentially be used at any time. So the actual count of licensed private and semi-private beds is 66 semi-private and 4 private.

Per the response, it also appears that conversion of the existing 16 bed OB unit to Med/Surg use in the future would result in at least 16 additional private rooms for the Med/Surg service. Please illustrate this benefit by completing the room/bed configuration table below:

Type room	# Rooms	# Licensed Beds
Private-current	5	4
Semi-Private-Current	33	66
Total- current	38	70
Private-Proposed	21	20
Semi-Private-proposed	33	66
Total-Proposed	54	86

**3. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services (B. Accessibility)**

**Accessibility, Item 4 – The comparison by percentage mix and acuity is noted however, please also discuss findings pertaining to a comparison of the actual dollar amounts of the charges by provider.**

The reported gross charges of Lakeway Regional for both vaginal and caesarian deliveries were the highest of the 3 hospitals in the service area providing OB services. The charges reported for Lakeway do not equate to or determine actual reimbursement received. Actual reimbursement is determined by the 3<sup>rd</sup> party payor, which for OB is most often TennCare or commercial insurance.

A comparison of the 2012 average gross charges (not weighted for severity) is reflected below.

<u>Hospital</u>	<u>Gross Charge Vaginal</u>	<u>Gross Charge Caesarian</u>
Lakeway Regional	\$12,055	\$37,825
Morristown-Hamblen	\$5,486	\$7,647

Newport Med. Ctr.                      \$9,587                      \$14,541

**4. Section C, Need, Item 2 and Section C, Orderly Development, Item 2**

**The description of hospital management's discussions with local business, medical community leadership and elected public officials is noted. However, the requested letters of support from community leaders and members of the medical staff for the project appear to have been omitted. At a minimum, letters from the medical director and/or other members of the hospital's medical staff would be helpful to documenting support for this project.**

A letter from Michael Tan, M.D., who serves as Chief of Medical Staff at Lakeway Regional is attached following this response. Also attached is a letter of support from Steve Sheedlo, M.D., a hospitalist who serves as the Medical Director of the Hospitalist program for Lakeway Regional. It is anticipated that additional letters of support from the community will be submitted prior to the meeting at which this application is considered.

**May 29, 2014**

*Michael Angelo Tan, M.D., F.A.C.P.* 9:48 pm  
Diplomate, American Board of Internal Medicine  
854 West Seventh North Street  
Morristown, Tennessee 37814  
Telephone: (423) 581-7119



May 29, 2014

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick St  
Nashville, TN 37243

Re: Lakeway Regional Hospital  
CN1405-013

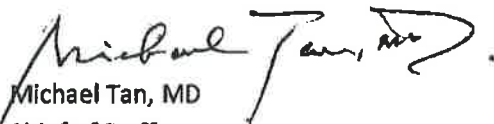
Ms. Hill,

I am currently serving as Chief of Staff for Lakeway Regional Hospital. As you are aware, the Hospital has filed a Certificate of Need to close its OB program.

Morristown has two hospitals that are located directly across the street from one another. Morristown-Hamblen Health System employs four of the six OB providers in the community. They have a more robust OB program. Based on provider resources and declining volumes the general consensus of the Medical Staff understands and supports the facilities' plan of action. With the closure of the OB program at Lakeway Regional Hospital space and resources will be able to be redirected to focus on general medical and surgical patient care.

If you have additional questions, please do not hesitate to contact me.

Regards,

  
Michael Tan, MD  
Chief of Staff  
Lakeway Regional Hospital

**May 29, 2014**

**3:48 pm**

Phone 602.778.3600

Fax 602.778.3659

[www.apogeephysicians.com](http://www.apogeephysicians.com)



2525 East Camelback Road, Suite 1100 • Phoenix, Arizona 85016

May 29<sup>th</sup>, 2014

*Melanie M. Hill*

*Executive Director*

*Tennessee Health Services and Development Agency*

*Andrew Jackson Building, Ninth Floor*

*502 Deaderick St*

*Nashville, TN 37243*

Re: Lakeway Regional Hospital

CN1405-013

Ms. Hill,

I currently serve as the Medical Director for the Hospitalist program for Lakeway Regional Hospital. Our program covers roughly 60% of inpatient volume for the facility. While we do not cover the OB program directly, we work closely with several of the medical providers on staff. At times, general inpatient volume can be significant and bed availability can be a challenge. This especially is the case when there are a number of isolation patients that need a private room and we are not able to fully utilize our semi-private rooms. Our program is in favor of the proposed CON to close its OB program. The current space could be efficiently utilized for additional inpatient rooms as the need arises.

Please feel free to reach out to me if you have any questions.

Regards,

  
Steve Sheedlo, M.D.

Medical Director

Apogee Physicians

Lakeway Regional Hospital



**5. Section C, Need, Item (4.B.) and Section C, Need, Item 5**

The responses are noted. Using the tables in the response and combining to estimate market share & service migration, it appears that the 2 hospitals with OB services in the 5-county service area accounted for approximately 53% of deliveries by female residents of the PSA in 2012 (from 56% in 2011). As such, it appears that outmigration to hospitals with OB services in other counties that border the applicant's PSA such as Knox, Sullivan and Washington Counties is significant – an observation that may further support the ability of hospitals in the PSA to absorb the proposed discontinuation of OB services (see table below).

In light of the above, HSDA staff may wish to measure same by estimating the migration and completing the table below with data support from the Division of Health Statistics, Department of Health. The data may be helpful to completing the following table:

Year	Total Births to female residents of PSA Ages 15-44	Births by female residents of PSA at Hospitals in PSA (as a % of total)	Births by female residents of PSA at Knox County Hospitals (as a % of total)	Births by female residents of PSA at Sullivan County Hospitals (as a % of total)
2012	2,511	1,332 (53%)	To be determined	To be determined
2011	2,485	1,386 (56%)		
2010	2,458	1,314 (53%)		
% Change '10-'12	2% increase	1.4% increase		

As a start, it would be helpful if the applicant would identify the hospitals with active OB services that are located in Knox, Sullivan, and/or Washington Counties and complete the table below using information from the CY2012 Joint Annual Report. Depending on the provider's 2012 JAR, either admissions or discharges can be used in the columns at the far right of the table.

A table with the requested data is attached following this response.

**SUPPLEMENTAL #2****May 29, 2014****3:48 pm**

<b>Hospital</b>	<b>County</b>	<b># OB Beds (# NICU beds, if any)</b>	<b>Births 2012</b>	<b>Births 2011</b>	<b>Births 2010</b>	<b>2012 Total Hospital Admissions*</b>	<b>2012 Service area Admissions as a % of total</b>
Ft. Sanders Regional	Knox	46 OB	2,730	2,681	2,343	16,206	10%
Parkwest Medical Center	Knox	20 OB	1,604	1,624	1,620	16,223	3%
Tennova Healthcare (f/k/a St. Mary's)	Knox	22 OB	1,466	1,552	1,722	15,563	15%
Tennova Turkey Creek (f/k/a Baptist West)	Knox	10 OB	333	338	693	4,475	11%
U.T. Medical Center	Knox	12 OB; 67 NICU	3,120	2,822		23,907	10%
Indian Path Medical Center	Sullivan	22 OB	863	859	817	6,146	13%
Wellmont Bristol Regional Medical Center	Sullivan	15 OB	858	844	870	14,506	0.4%
Wellmont Holston Valley Medical Center	Sullivan	17 OB	957	993	1,109	18,451	17%
Franklin Woods Community Hospital	Washington	20 OB	864	838	0	3,719	0.6%
Johnson City Medical Center	Washington	21 OB; 39 NICU	1,268	1,261	1,054	25,761	19%



**6. Section C, Need, Item 6**

**The table illustrating the hospital's utilization of its licensed beds by service is noted.**

**As to methodology, it appears that admissions of the Med/Surg service are expected to increase by approximately 8% from 2014 (estimated) and should account for the majority of the hospital's projected admissions in Year 1 and Year 2, averaging approximately 76% of the hospital's total admissions per year. As such, do these amounts provide further evidence of the impact of the proposal based on the 16 former OB beds being added to the service?**

Those observations are correct. The projected increase in med/surg admissions is partly due to the additional private beds being available, which will only be possible if the OB service is discontinued. The other major factor leading to the projected increase in admissions is the increased access to care as a result of the Affordable Care Act.

**7. Section C, Economic Feasibility, Item 4 (Projected Data Chart)**

**Other expenses in the revised Projected Data Chart for item 12 of your 5/23/14 supplemental response includes approximately \$1.4 million for medical specialty fees in Year 1 (no OB services). However, in the event OB services were to continue, the applicant estimates medical specialty fees of approximately \$1.9 million in Year 1, a difference of \$500,000.00 (Projected Data Chart, Item 13). With locum tenens estimated for CY2014 at approximately \$183,000, what accounts for the remainder of the \$500,000 difference in the estimates for medical specialty fees in Year1?**

The estimated \$183,000 locums expenditure for 2014 assuming the continuance of the OB covers 4.5 months of 2014, assuming the CON was not approved in August, 2014. This is approximately \$41,000 per month (rounded up to nearest \$1,000). The Year 1 projection, which again assumes the continuance of the OB program, annualized this amount to \$492,000. This estimate was further increased up to \$547,500 (approximately 11%) to account for inflation, uncertainty as to market conditions and fair market value, and other unknown contingencies.

**May 29, 2014**

**3:48 pm**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF HAMBLLEN

NAME OF FACILITY: Lakeway Regional Hospital

I, Clyde Wood, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Clyde Wood  
Name

CEO  
Title

Sworn to and subscribed before me this the 29<sup>th</sup> day of May, 2014, a Notary Public in and for Hamblen County Tennessee.

Candy Lamb  
Notary Public

My Commission Expires: 1-17-18





## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

May 19, 2014

Jerry Taylor, Esq.  
Sites & Harbison, PLLC  
401 Commerce St, Suite 800  
Nashville, TN 37814

RE: Certificate of Need Application CN1405-013  
Lakeway Regional Hospital – Discontinuance of Obstetrical Services

Dear Mr. Taylor:

This will acknowledge our May 14, 2014 receipt of your application for a Certificate of Need for the Discontinuance of Obstetrics Services at Lakeway Regional Hospital. If approved, the sixteen (16) obstetrical beds will be re-distributed to use as medical/surgical beds. The number of licensed beds (135) will not change as a result of the project.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

**Please submit responses in triplicate by 3:30 pm, Friday, May 23, 2014.** If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

#### 1. Section A, Item 3 (Owner)

The ownership relationship to Community Health Systems, Inc. (CHS) is noted. Please discuss the proposed organizational and business relationships among these entities in such a manner that their affiliation with the project can be understood. An organization chart will be helpful.

Please provide a list of hospitals and other licensed providers in Tennessee that are affiliated with the applicant through ownership by CHS or its subsidiaries. Have OB services been discontinued at any hospital owned by the parent company? How many of the hospitals owned by the parent company now offer OB services? Have OB services been discontinued in the past by the applicant's parent company but restarted or added later as availability of medical/nursing staff and financial conditions improved?

#### 2. Section B, Project Description, Items II.B and II.C.

Your responses are noted. Please discuss plans to place the additional 16 beds in use on the hospital's medical/surgical service. In your discussion, please identify the number of Med/Surg staffed beds in Year 1 and Year 2 (currently 55 of 70 licensed). According to the acute care bed need data maintained by the Department of Health, Hamblen County had a licensed bed surplus of 141 beds in 2012. If there are no plans to use the 16 vacated OB beds anytime in the foreseeable future, was decreasing the applicant's licensed bed complement considered as a part of the proposal? Please clarify.

Given the human resources, physician recruitment, and marketing resources available to CHS, Inc., please discuss in detail actions taken to recruit and retain delivering physicians, pediatricians and OB nurses (number of recruited, retained and leaving by year) to sustain and grow the obstetrical program over the past two years.

**3. Section B, Project Description, Item IV (Floor Plan)**

Given the plans to redistribute the 16 OB beds to Med/Surg service, floor plans for the Med/Surg service patient unit(s) identifying their location in the hospital may be helpful. Please include floor plans for Med/Surg that reflect the redistribution of the 16 beds.

**4. Section C, Need, Item 1 (State Health Plan)**

**State Health Plan, Access** - given the hospital's 76.3% TennCare payor mix for obstetric services (page 29), please discuss the barriers to access to obstetric services facing the TennCare population in the 5-county primary service area, and how Lakeway Regional Hospital plans to assist this population with the transition if this application is approved. In your response, please identify all TennCare plans other hospitals with OB services in Hamblen and Cocke Counties have in place.

**State Health Plan, Health Care Workforce** – the actions taken to retain OB nursing staff are noted. The applicant mentions obstacles to adequate physician coverage for both pediatricians and obstetricians (pages 7 and 29). Given the impact of absorbing the OB service volumes of Lakeway and the importance to the 5-county service area, did the applicant discuss options (such as shared active staff privileges at both hospitals) with Morristown-Hamblen Health System other than the transfer agreement relationship? Please discuss.

**5. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services (A. Need and B. Accessibility))**

**Project Specific Criteria – A. Need, Item 4**

Please identify the estimated number below the federal poverty level and include in the discussion.

**Project Specific Criteria, A. Accessibility, Items 1, 3 and 5**

**Accessibility, Item 1** - The applicant's CY2012 JAR indicates that residents of Cocke and Jefferson Counties accounted for approximately 18% of total discharges. As a result, please include the distances to the Tennova – Hospital in Newport.

**Accessibility, Item 3** – Please confirm Tennova-Newport Medical Center's participation as an alternate provider of OB services. Additionally, has the applicant also notified and gained support of hospital medical staff, community leadership, emergency conveyance services, and the general public?

**Accessibility, Item 4** – hospital IP charges can be compared for both Vaginal Deliveries (DRG540) and Cesarean Deliveries (DRG 560) using information from the 2012 Tennessee Hospital Charge Reports. This report can be found on the Department of Health/Health Statistics link to the toolbox on the HSDA website. Please review the information provided in the report (e.g. the # of procedures by severity and average/median charge) and include a discussion of the findings in your response.

**Accessibility, Item 5** - A copy of the May 1, 2014 transfer agreement with Morristown-Hamblen Health Care System is noted in the application. Review of the MHCCS 2012 JAR revealed a Net Operating Income (NOI) loss of approximately \$1.25 million during the reporting period. Tennova –Newport Medical Center appears to have realized a favorable NOI of \$8.2 million in 2012. Also of note, the applicant reports that the OB service has an estimated 76% TennCare payor mix. With these factors in mind, please confirm the 2 hospitals' interest and ability in absorbing the applicant's additional OB volumes, including accepting TennCare patients and others without insurance based on their inability to

pay. In your response, please provide written documentation from representatives of the 2 hospitals affirming same.

**6. Section C, Need, Item 2 and Section C, Orderly Development, Item 2**

What services are being developed or in the process of being implemented over the next three years that might help the hospital make a more effective use of the space dedicated to the OB service?

A) Please describe hospital management's discussions with local business and medical community leadership and elected public officials regarding this decision. In your response, please provide letters of support from community leaders and members of the medical staff for the project. What are the expectations of these parties, if any, concerning the applicant's leadership and role in addressing the health care needs of the maternal-fetal population located in the primary service area?

B) Please provide descriptions of the hospital's plans to coordinate the referral of potential OB patients to other facilities. Please also discuss the plans of active members of the applicant's medical staff to refer to the medical staffs of other hospitals that have the capacity to absorb the additional volumes from the applicant's discontinuance of its OB service.

**7. Section C, Need, Item (4.B.)**

Please identify the MUA status of each county in the service area.

Please complete the following table providing the total eligible female population and the total number of births to female residents of the 5-county service area during the most recent year that birth data is available:

Year	Female Population (age 15-44)	Births to female residents Ages 15-44
2010		
2011		
2012		
2013 (if known)		
% Change		

**8. Section C, Need, Item 5**

Please provide the following information for hospitals in the service area with OB programs:

Variable	Lakeway	MHCC	Tennova- Newport
Total Licensed Beds			
OB Beds			
OB ADC 2012			
Deliveries- 2012			
Deliveries- 2011			
Deliveries-2010			
% Change			
OB Admits -2012			

**9. Section C, Need, Item 6**

Please provide the hospital's utilization of its licensed beds by service as indicated in the following table:

Bed Type	2011	2012	2013	% change	2014 estimated	Year 1	Year 2
<b>ICU/CCU</b>							
Beds					7	7	
Admissions							
%Occupancy							
<b>Medical/Surgical</b>							
Beds					70	86	
Admissions							
ALOS							
%Occupancy							
<b>Obstetrical</b>							
Beds					16	0	
Admissions							
ALOS							
%Occupancy							
<b>Rehabilitation</b>							
Beds					27	10	
Admissions							
%Occupancy							
<b>Swing Beds</b>							
Beds					15	15	
Admissions							
%Occupancy							
<b>TOTAL</b>							
Beds					135	135	
Admissions							
ALOS							
%Occupancy							

Given the plans to redistribute the 16 OB beds to the Med/Surg service, please also identify and discuss the methodology used to develop projections for the utilization of the 86 licensed bed Med/Surg service in the first two years following discontinuation of the OB service.

#### 10. Section C, Economic Feasibility, Item 1

Although the potential re-use of the OB floor remains in question, will the unit require renovation in order to be converted to a medical/surgical unit (or other purpose)? What is the estimated cost to convert the LDRP and Postpartum beds to Med/Surg beds?

#### 11. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

Given that outpatient revenues of the OB Service are included in the chart, what is the appropriate utilization measure for same in lieu of Deliveries? If outpatient volumes were excluded, would the financial performance of the inpatient OB Service be favorable as opposed to the \$57,560 net operating income (NOI) loss in 2013 (e.g. at or above financial breakeven)? Please discuss.

Please explain why there are no provisions for charity care for the OB service.

The (\$57,560) loss in NOI for 2013 at approximately 2% of gross operating revenue is noted. Based on review of the OB service full staff profile on page 31, it appears that annual salary and benefits (estimated at 21% of base) would come to approximately \$994,200 million in 2014, a difference of

approximately \$200,000 from the salary cost in 2013. If this is correct, then it seems that the NOI in the chart is understated by said amount. Please clarify.

To have a better understanding of the OB Service impact to the hospital, please provide a Historical Data Chart for the hospital for the 2012 and 2013 periods.

**12. Section C, Economic Feasibility, Item 4 (Projected Data Chart)**

The Projected Data Chart without OB services is noted. It appears that revenues and expenses of the OB service have been accounted for, however, review of the applicant's CY2012 JAR revealed depreciation expense of approximately \$2.4 million and interest expense of approximately \$4.4 million for a total of \$6.8 million. Given the applicant's description on page 28, these amounts are consolidated under "Depreciation" in line D.5 of the chart and sum to \$3,288,750 in Year 1. Based on the difference of approximately \$3.5 million from the amounts provided in the CY2012 JAR, are operating expenses and NOI understated in the Projected Data Chart of the hospital? Please clarify.

As noted in the Historical Data Chart, it appears that the financial performance of the OB service may have had no significant or immediate bearing on the decision to apply for a CON to discontinue the OB service. However, it is understood that the OB unit's projected financial performance in 2014 may be significantly worse based on declining utilization due to the physician and nursing staffing problems described by the applicant. As such, using the chart as a template, please provide an estimate of projected NOI for the service in 2014 with highlights of any significant changes from 2013 (reduced operating revenue, increased contract labor expense, etc.).

Please provide an additional Projected Data Chart for the entire facility for the next two years as if the discontinuance of the Obstetrical Services Program were not approved by the Agency. In your response, please include the cost for locum tenens coverage of the OB service as described on page 29. Please also identify what is being included in management fees to affiliates and indicate how much might be discretionary, i.e. the amount that could be reduced in year 1 and year 2 to cover operating losses if the OB service were continued.

Projected outpatient annual gross revenues are approximately \$75 million higher than the applicant's inpatient revenues. In lieu of admissions, what is a representative utilization measure that applies equally to outpatient (e.g. adjusted patient days)? Please clarify.

Since the community is losing access to a valuable primary care healthcare resource through this proposal, please discuss how the hospital's financial gain, if any, will be used to fund access to other community healthcare programs designed to address other vital community healthcare needs.

**13. Section C, Economic Feasibility, Item 6.B**

It is understood that proposed charges of the OB Service would not apply should CON approval of the proposal be granted by the Agency. However, it would be helpful if the applicant included findings from its review of the 2012 Tennessee Hospital Charge Report pertaining to a comparison of the applicant's charges to other hospitals in the service area for vaginal and cesarean deliveries by severity level. While review by HSDA staff revealed that the applicant's charges for these 2 categories were the highest of the 3 hospitals, comment by the applicant pertaining to the rationale for same and any implications as to potential financial impact to the other OB providers would be appreciated.

**14. Section C, Economic Feasibility, Items 7 and 8**

Please discuss in terms of total hospital in accordance with the projected utilization volumes provided by the applicant in question 9 of this supplemental response (question relates to Section C, Need, Item 6). In your response, please identify the contribution the Med/Surg service may have to the financial viability of the hospital with more staffed beds in service and increases in patient admissions to the service.

**15. Section C, Orderly Development, Item 2**

Please complete the following chart for the positive and negative effects of the proposed project:

Positive Effects	Negative effects
1.) continue OB in Morristown	1.)less patient choice
2.) more efficient operation	2.)
3). Increase OB volume at MHHS	3.)
4.)	4.)
5.)	5.)

**16. Outstanding CON Project Status/Updates**

Please identify the status of any outstanding Certificates of Need approved by HSDA for facilities affiliated with the applicant through ownership by Community Health Systems, Inc. At a minimum, please identify the name & CON #, current status or update of activities in progress (included in Annual Progress Report if due) and estimated completion dates of major phases of the project, as appropriate.

**17. Proof of Publication.**

Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is Friday, July 18, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a



written summary of such communication shall be made part of the certificate of need file.

- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please contact this office.

Sincerely,



Jeff Grimm  
HSDA Examiner

PJG, Enclosure



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

May 29, 2014

Jerry Taylor, Esq.  
Sites & Harbison, PLLC  
401 Commerce St, Suite 800  
Nashville, TN 37814

RE: Certificate of Need Application CN1405-013  
Lakeway Regional Hospital – Discontinuance of Obstetrical Services

Dear Mr. Taylor:

This will acknowledge our May 23, 2014 receipt of your supplemental response pertaining to your application for a Certificate of Need for the Discontinuance of Obstetrics Services at Lakeway Regional Hospital. If approved, the sixteen (16) obstetrical beds will be re-distributed to use as medical/surgical beds. The number of licensed beds (135) will not change as a result of the project.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 1:00 pm, Friday, May 30, 2014. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

#### 1. Section A, Item 3 (Owner)

The organizational chart & list of facilities affiliated through ownership by CHS are noted.

The org chart includes Scott County Hospital, now known as Pioneer Community Hospital of Scott. Given the hospital's management changes since May 2012 (as documented in recent certificate of need activity of the hospital such as CN1311-041AY and CN1308-030A), please clarify whether or not the hospital is affiliated through ownership by CHS, Inc. If in error, please provide a revised org chart with your response.

#### 2. Section B, Project Description, Items II.B and Section B, Project Description, Item IV (Floor Plan)

The responses are noted. Review of the floor plan appears to indicate that the Med/Surg service is located on the same floor as the current OB service ( 2<sup>nd</sup> floor) and contains 5 private rooms and 33 semi-private rooms for a total of 71 licensed beds in lieu of the 70 beds identified in Section A, Item 9 of the application (Bed Complement table). Please clarify.

Per the response, it also appears that conversion of the existing 16 bed OB unit to Med/Surg use in the future would result in at least 16 additional private rooms for the Med/Surg service. Please illustrate this benefit by completing the room/bed configuration table below:

Type room	# Rooms	# Licensed Beds
Private-current		
Semi-Private-Current		
Total- current		70
Private-Proposed		
Semi-Private-proposed		
Total-Proposed		86

**3. Section C, Need, Item 1 (Project Specific Criteria-Discontinuance of Obstetrical Services (B. Accessibility)**

**Accessibility, Item 4** – The comparison by percentage mix and acuity is noted however, please also discuss findings pertaining to a comparison of the actual dollar amounts of the charges by provider.

**4. Section C, Need, Item 2 and Section C, Orderly Development, Item 2**

The description of hospital management's discussions with local business, medical community leadership and elected public officials is noted. However, the requested letters of support from community leaders and members of the medical staff for the project appear to have been omitted. At a minimum, letters from the medical director and/or other members of the hospital's medical staff would be helpful to documenting support for this project.

**5. Section C, Need, Item (4.B.) and Section C, Need, Item 5**

The responses are noted. Using the tables in the response and combining to estimate market share & service migration, it appears that the 2 hospitals with OB services in the 5-county service area accounted for approximately 53% of deliveries by female residents of the PSA in 2012 (from 56% in 2011). As such, it appears that outmigration to hospitals with OB services in other counties that border the applicant's PSA such as Knox, Sullivan and Washington Counties is significant – an observation that may further support the ability of hospitals in the PSA to absorb the proposed discontinuation of OB services (see table below).

In light of the above, HSDA staff may wish to measure same by estimating the migration and completing the table below with data support from the Division of Health Statistics, Department of Health. The data may be helpful to completing the following table:

Year	Total Births to female residents of PSA Ages 15-44	Births by female residents of PSA at Hospitals in PSA (as a % of total)	Births by female residents of PSA at Knox County Hospitals (as a % of total)	Births by female residents of PSA at Sullivan County Hospitals (as a % of total)
2012	2,511	1,332 (53%)	To be determined	To be determined
2011	2,485	1,386 (56%)		
2010	2,458	1,314 (53%)		
% Change '10-'12	2% increase	1.4% increase		

As a start, it would be helpful if the applicant would identify the hospitals with active OB services that are located in Knox, Sullivan, and/or Washington Counties and complete the table below using information from the CY2012 Joint Annual Report. Depending on the provider's 2012 JAR, either admissions or discharges can be used in the columns at the far right of the table.

Hospital	County	# OB Beds (# NICU beds, if any)	Births 2012	Births 2011	Births 2010	2012 Total Hospital Admissions *	2012 Service area Admissions as a % of total

*\*discharges can be used, if applicable*

#### 6. Section C, Need, Item 6

The table illustrating the hospital's utilization of its licensed beds by service is noted.

As to methodology, it appears that admissions of the Med/Surg service are expected to increase by approximately 8% from 2014 (estimated) and should account for the majority of the hospital's projected admissions in Year 1 and Year 2, averaging approximately 76% of the hospital's total admissions per year. As such, do these amounts provide further evidence of the impact of the proposal based on the 16 former OB beds being added to the service?

#### 7. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Other expenses in the revised Projected Data Chart for item 12 of your 5/23/14 supplemental response includes approximately \$1.4 million for medical specialty fees in Year 1 (no OB services). However, in the event OB services were to continue, the applicant estimates medical specialty fees of approximately \$1.9 million in Year 1, a difference of \$500,000.00 (Projected Data Chart, Item 13). With locum tenens estimated for CY2014 at approximately \$183,000, what accounts for the remainder of the \$500,000 difference in the estimates for medical specialty fees in Year1?

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60<sup>th</sup>) day after written notification is Friday, July 18, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

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Should you have any questions or require additional information, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Grimm", with a stylized flourish extending from the end.

Jeff Grimm  
HSDA Examiner

PJG, Enclosure